WACHOVIA

Form 10-Q

Second Quarter 2000

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2000

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-9021

Wachovia Corporation

North Carolina	56-1473727
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Address and Telephone Number:

100 North Main Street	191 Peachtree Street NE
Winston-Salem, North Carolina 27101	Atlanta, Georgia 30303
(336) 770-5000	(404) 332-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

As of June 30, 2000, Wachovia Corporation had 203,267,427 shares of common stock outstanding.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements referred to above do not include all information and footnotes required under generally accepted accounting principles. However, in the opinion of management, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations for the periods presented. The results of operations shown in the interim statements are not necessarily indicative of the results that may be expected for the entire year.

Consolidated Statements of Condition

$ in thousands, except per share data — **Wachovia Corporation and Subsidiaries**

	June 30 2000	December 31 1999	June 30 1999
Assets			
Cash and due from banks	$ 3,260,788	$ 3,475,004	$ 3,110,827
Interest-bearing bank balances	158,049	184,904	92,156
Federal funds sold and securities purchased under resale agreements	202,273	761,962	803,065
Trading account assets	1,457,467	870,304	791,419
Securities available-for-sale	7,172,001	7,095,790	8,299,719
Securities held-to-maturity (fair value of $1,109,096, $1,061,150 and $1,354,480 respectively)	1,101,461	1,048,724	1,324,588
Loans, net of unearned income	53,152,357	49,621,225	48,428,086
Less allowance for loan losses	799,351	554,810	548,540
Net loans	52,353,006	49,066,415	47,879,546
Premises and equipment	934,873	953,832	972,092
Due from customers on acceptances	80,917	111,684	179,847
Other assets	4,089,980	3,783,918	3,560,210
Total assets	$70,810,815	$67,352,537	$67,013,469
Liabilities			
Deposits in domestic offices:			
Demand	$ 8,783,729	$ 8,730,673	$ 8,570,418
Interest-bearing demand	4,885,151	4,527,711	4,857,922
Savings and money market savings	12,716,834	13,760,479	13,160,810
Savings certificates	9,530,065	8,701,074	8,724,157
Large denomination certificates	3,862,754	3,154,754	3,001,260
Total deposits in domestic offices	39,778,533	38,874,691	38,314,567
Interest-bearing deposits in foreign offices	2,807,675	2,911,727	2,500,952
Total deposits	42,586,208	41,786,418	40,815,519
Federal funds purchased and securities sold under repurchase agreements	7,440,013	5,372,493	6,185,220
Commercial paper	1,649,239	1,658,988	1,538,089
Other short-term borrowed funds	2,172,587	3,071,493	2,632,238
Long-term debt	8,858,331	7,814,263	8,515,499
Acceptances outstanding	80,917	111,684	179,847
Other liabilities	2,087,476	1,878,741	1,720,340
Total liabilities	64,874,771	61,694,080	61,586,752
Shareholders' Equity			
Preferred stock, par value $5 per share: Authorized 50,000,000 shares; none outstanding	—	—	—
Common stock, par value $5 per share: Authorized 1,000,000,000 shares; issued and outstanding 203,267,427, 201,812,295 and 202,230,680 shares, respectively	1,016,337	1,009,061	1,011,153
Capital surplus	721,378	598,149	615,900
Retained earnings	4,277,886	4,125,524	3,810,257
Accumulated other comprehensive loss	(79,557)	(74,277)	(10,593)
Total shareholders' equity	5,936,044	5,658,457	5,426,717
Total liabilities and shareholders' equity	$70,810,815	$67,352,537	$67,013,469

Consolidated Statements of Income

$ in thousands, except per share — **Wachovia Corporation and Subsidiaries**

	Three Months Ended June 30 2000	Three Months Ended June 30 1999	Six Months Ended June 30 2000	Six Months Ended June 30 1999
Interest Income				
Loans, including fees	$1,169,233	$ 974,734	$2,263,012	$1,944,028
Securities available-for-sale	117,736	130,692	230,478	253,805
Securities held-to-maturity:				
State and municipal	3,727	2,715	7,367	5,398
Other investments	15,197	20,593	31,021	42,228
Interest-bearing bank balances	1,400	1,391	2,923	3,584
Federal funds sold and securities purchased under resale agreements	6,796	8,429	14,288	14,231
Trading account assets	11,022	8,051	21,379	13,717
Total interest income	1,325,111	1,146,605	2,570,468	2,276,991
Interest Expense				
Deposits:				
Domestic offices	346,818	284,386	669,676	567,833
Foreign offices	62,308	24,039	114,230	47,959
Total interest on deposits	409,126	308,425	783,906	615,792
Short-term borrowed funds	132,206	112,301	255,523	215,471
Long-term debt	144,397	108,877	272,161	220,650
Total interest expense	685,729	529,603	1,311,590	1,051,913
Net Interest Income	639,382	617,002	1,258,878	1,225,078
Provision for loan losses	273,365	74,525	347,031	155,161
Net interest income after provision for loan losses	366,017	542,477	911,847	1,069,917
Other Income				
Service charges on deposit accounts	104,380	91,454	205,191	178,409
Fees for trust services	54,189	54,907	105,423	104,043
Credit card income	71,463	58,110	142,645	119,411
Investment fees	81,439	69,877	178,209	87,239
Capital markets income	45,014	41,780	89,800	79,892
Electronic banking	26,153	22,558	49,549	41,013
Mortgage fees	5,921	9,863	10,922	20,829
Other operating income	81,740	55,995	159,359	106,977
Total other operating revenue	470,299	404,544	941,098	737,813
Securities gains	59	10,453	226	10,687
Total other income	470,358	414,997	941,324	748,500
Other Expense				
Salaries	282,610	259,733	570,239	477,848
Employee benefits	52,881	48,019	109,133	101,090
Total personnel expense	335,491	307,752	679,372	578,938
Net occupancy expense	40,684	38,908	80,210	73,841
Equipment expense	45,908	49,714	95,103	96,556
Merger-related charges	8,872	8,347	17,030	8,347
Litigation settlement charge	—	—	20,000	—
Other operating expense	200,336	175,896	377,554	315,133
Total other expense	631,291	580,617	1,269,269	1,072,815
Income before income taxes	205,084	376,857	583,902	745,602
Income tax expense	67,513	129,307	201,624	254,816
Net Income	$ 137,571	$ 247,550	$ 382,278	$ 490,786
Net income per common share:				
Basic	$ .68	$ 1.21	$ 1.89	$ 2.41
Diluted	$ .67	$ 1.19	$ 1.87	$ 2.37
Average shares outstanding:				
Basic	202,728	203,746	202,596	203,434
Diluted	204,572	207,400	204,392	207,181

Consolidated Statement of Shareholders' Equity

$ in thousands, except per share

Wachovia Corporation and Subsidiaries

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Period Ended June 30, 1999						
Balance at beginning of year	202,986,100	$1,014,931	$ 669,244	$3,571,617	$ 82,440	$5,338,232
Net income				490,786		490,786
Unrealized holding losses on securities available-for-sale, net of deferred tax benefit and reclassification adjustment					(93,033)	(93,033)
Comprehensive income*						397,753
Cash dividends declared on common stock — $.98 a share				(199,954)		(199,954)
Common stock issued pursuant to:						
Stock option and employee benefit plans	819,351	4,097	91,612			95,709
Dividend reinvestment plan	133,584	668	10,794			11,462
Conversion of debentures	2,304	11	177			188
Acquisitions	2,578,837	12,894	201,591			214,485
Common stock acquired	(4,289,496)	(21,448)	(357,518)			(378,966)
Miscellaneous				(52,192)		(52,192)
Balance at end of period	202,230,680	$1,011,153	$ 615,900	$3,810,257	$(10,593)	$5,426,717
Period Ended June 30, 2000						
Balance at beginning of year	201,812,295	$1,009,061	$ 598,149	$4,125,524	$(74,277)	$5,658,457
Net income				382,278		382,278
Unrealized holding losses on securities available-for-sale, net of deferred tax benefit and reclassification adjustment					(5,280)	(5,280)
Comprehensive income*						376,998
Cash dividends declared on common stock — $1.08 a share				(219,599)		(219,599)
Common stock issued pursuant to:						
Stock option and employee benefit plans	800,534	4,003	43,752			47,755
Dividend reinvestment plan	177,253	886	10,374			11,260
Acquisitions	2,254,947	11,275	167,674			178,949
Common stock acquired	(1,777,602)	(8,888)	(98,571)			(107,459)
Miscellaneous				(10,317)		(10,317)
Balance at end of period	203,267,427	$1,016,337	$ 721,378	$4,277,886	$(79,557)	$5,936,044

* Comprehensive income for the second quarters of 2000 and 1999 was $146,140 and $176,315, respectively.

$ in Thousands — Wachovia Corporation and Subsidiaries

	Six Months Ended June 30 2000	1999
Operating Activities		
Net income	$ 382,278	$ 490,786
Adjustments to reconcile net income to net cash provided by operations:		
Provision for loan losses	347,031	155,161
Depreciation and amortization	142,764	115,426
Deferred income taxes	87,693	198,597
Securities gains	(226)	(10,687)
Loss (gain) on sale of noninterest-earning assets	334	(7,829)
(Decrease) increase in accrued income taxes	(3,439)	9,373
Increase in accrued interest receivable	(24,543)	(15,042)
Increase in accrued interest payable	9,339	28,099
Net change in other accrued and deferred income and expense	(8,363)	(55,583)
Net trading account activities	(587,163)	(63,524)
Net loans held for resale	(3,356)	176,461
Net cash provided by operating activities	342,349	1,021,238
Investing Activities		
Net decrease in interest-bearing bank balances	42,239	17,827
Net decrease (increase) in federal funds sold and securities purchased under resale agreements	578,006	(81,464)
Purchases of securities available-for-sale	(646,876)	(1,874,974)
Purchases of securities held-to-maturity	(126,786)	(646)
Sales of securities available-for-sale	361,371	144,802
Calls, maturities and prepayments of securities available-for-sale	356,867	1,276,976
Calls, maturities and prepayments of securities held-to-maturity	97,501	57,928
Net increase in loans made to customers	(2,755,646)	(3,554,985)
Credit card receivables securitized	—	895,954
Capital expenditures	(56,325)	(145,595)
Proceeds from sales of premises and equipment	3,312	17,798
Net decrease (increase) in other assets	68,216	(212,829)
Business combinations	(762,629)	(11,556)
Net cash used by investing activities	(2,840,750)	(3,470,764)
Financing Activities		
Net (decrease) increase in demand, savings and money market accounts	(874,838)	198,398
Net increase (decrease) in certificates of deposit	1,161,479	(377,608)
Net increase in federal funds purchased and securities sold under repurchase agreements	2,063,641	661,658
Net (decrease) increase in commercial paper	(9,749)	178,707
Net (decrease) increase in other short-term borrowings	(898,906)	686,303
Proceeds from issuance of long-term debt	1,522,859	1,483,576
Maturities and repayments of long-term debt	(487,413)	(603,366)
Common stock issued	23,602	29,855
Dividend payments	(219,599)	(199,954)
Common stock repurchased	(104,088)	(370,381)
Net increase in other liabilities	107,197	72,900
Net cash provided by financing activities	2,284,185	1,760,088
Decrease in Cash and Cash Equivalents	(214,216)	(689,438)
Cash and cash equivalents at beginning of year	3,475,004	3,800,265
Cash and cash equivalents at end of period	$3,260,788	$3,110,827

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Period-End Data — Table 1

	June 30 2000	June 30 1999
Banking offices:		
North Carolina	190	190
Virginia	212	253
Georgia	142	132
South Carolina	118	119
Florida	38	40
Total	700	734
Automated banking machines:		
North Carolina	454	444
Virginia	285	307
Georgia	313	303
South Carolina	286	292
Florida	39	37
Total	1,377	1,383
Employees (full-time equivalent)	21,509	21,716
Common stock shareholders of record	51,377	52,956
Common shares outstanding (thousands)	203,267	202,231

Common Stock Data — Per Share — Table 2

	2000		1999		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Market value:					
Period-end	$54.25	$67.56	$68.00	$78.63	$85.56
High	75.25	68.94	88.88	85.25	92.31
Low	53.56	53.63	65.44	75.31	80.56
Book value at period-end	29.20	28.88	28.04	27.76	26.83
Dividend	.54	.54	.54	.54	.49
Price/earnings ratio (1)	12.3x	13.7x	13.9x	16.4x	18.5x
Price/earnings ratio without nonrecurring items (1), (2)	11.9	13.3	13.7	16.2	18.1

(1) Based on the most recent four quarters of net income per diluted share and end of period stock price.
(2) Excludes the after-tax impact of nonrecurring charges.

Forward-Looking Statements

This Quarterly Report on Form 10-Q of Wachovia Corporation ("Wachovia") contains forward-looking statements as encouraged by the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risks and uncertainty and any number of factors could cause actual results to differ materially from the anticipated results or other expectations expressed in forward-looking statements. Risks and uncertainties that may affect future results include, but are not limited to, changes in the economy, interest rate movements, timely development by Wachovia of technology enhancements for its products and operating systems, the impact of competitive products, services and pricing, Congressional legislation and similar matters. Management cautions readers not to place undue reliance on forward-looking statements, which are subject to influence by the named risk factors and unanticipated future events.

	Twelve Months Ended June 30, 2000	2000		1999			Six Months Ended June 30	
		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	2000	1999
Summary of Operations								
(thousands, except per share data)								
Interest income	$4,960,297	$1,325,111	$1,245,357	$1,224,486	$1,165,343	$1,146,605	$2,570,468	$2,276,991
Interest expense	2,456,411	685,729	625,861	596,583	548,238	529,603	1,311,590	1,051,913
Net interest income	2,503,886	639,382	619,496	627,903	617,105	617,002	1,258,878	1,225,078
Provision for loan losses	489,975	273,365	73,666	66,174	76,770	74,525	347,031	155,161
Net interest income after provision for loan losses	2,013,911	366,017	545,830	561,729	540,335	542,477	911,847	1,069,917
Other operating revenue	1,813,408	470,299	470,799	439,469	432,841	404,544	941,098	737,813
Securities gains	433	59	167	60	147	10,453	226	10,687
Total other income	1,813,841	470,358	470,966	439,529	432,988	414,997	941,324	748,500
Personnel expense	1,320,720	335,491	343,881	324,288	317,060	307,752	679,372	578,938
Merger-related charges	27,992	8,872	8,158	5,669	5,293	8,347	17,030	8,347
Litigation settlement charge	20,000	—	20,000	—	—	—	20,000	—
Other expense	1,078,367	286,928	265,939	270,661	254,839	264,518	552,867	485,530
Total other expense	2,447,079	631,291	637,978	600,618	577,192	580,617	1,269,269	1,072,815
Income before income tax expense	1,380,673	205,084	378,818	400,640	396,131	376,857	583,902	745,602
Income tax expense	477,960	67,513	134,111	137,704	138,632	129,307	201,624	254,816
Net income	$ 902,713	$ 137,571	$ 244,707	$ 262,936	$ 257,499	$ 247,550	$ 382,278	$ 490,786
Net income per common share:								
Basic	$ 4.46	$ .68	$ 1.21	$ 1.30	$ 1.27	$ 1.21	$ 1.89	$ 2.41
Diluted	$ 4.40	$ .67	$ 1.20	$ 1.28	$ 1.25	$ 1.19	$ 1.87	$ 2.37
Cash dividends paid per common share	$ 2.16	$ .54	$ .54	$ .54	$ .54	$ .49	$ 1.08	$ .98
Cash dividends paid on common stock	$ 438,092	$ 109,505	$ 110,094	$ 109,273	$ 109,220	$ 100,292	$ 219,599	$ 199,954
Cash dividend payout ratio	48.53%	79.60%	44.99%	41.56%	42.42%	40.51%	57.44%	40.74%
Average basic shares outstanding	202,381	202,728	202,464	202,168	202,167	203,746	202,596	203,434
Average diluted shares outstanding	204,809	204,572	204,213	205,096	205,345	207,400	204,392	207,181
Selected Average Balances (millions)								
Total assets	$ 67,247	$ 69,466	$ 67,755	$ 66,982	$ 64,815	$ 65,454	$ 68,610	$ 64,934
Loans — net of unearned income	49,560	52,133	50,550	48,593	47,003	47,012	51,342	46,638
Securities	8,822	8,407	8,395	9,016	9,461	9,664	8,401	9,444
Other interest-earning assets	1,449	1,241	1,245	1,844	1,464	1,588	1,243	1,451
Interest-bearing deposits	33,903	35,663	34,873	33,107	31,996	32,343	35,268	32,095
Short-term borrowed funds	9,058	8,621	8,920	9,836	8,848	9,629	8,771	9,461
Long-term debt	8,457	8,851	8,081	8,327	8,571	7,998	8,466	7,814
Noninterest-bearing deposits	8,347	8,373	8,319	8,326	8,368	8,261	8,346	8,162
Shareholders' equity	5,616	5,833	5,688	5,555	5,391	5,459	5,760	5,387
Ratios (averages)								
Annualized net loan losses to loans	.57%	.56%	.58%	.54%	.61%	.63%	.57%	.66%
Annualized return on assets	1.34	.79	1.44	1.57	1.59	1.51	1.11	1.51
Annualized return on shareholders' equity	16.07	9.43	17.21	18.93	19.11	18.14	13.27	18.22
Operating Performance Excluding Nonrecurring Items (1)								
(thousands, except per share data)								
Net income	$ 935,406	$ 143,337	$ 264,510	$ 266,620	$ 260,939	$ 253,060	$ 407,847	$ 496,296
Net income per diluted share	$ 4.57	$ .70	$ 1.30	$ 1.30	$ 1.27	$ 1.22	$ 2.00	$ 2.40
Annualized return on assets	1.39%	.83%	1.56%	1.59%	1.61%	1.55%	1.19%	1.53%
Annualized return on shareholders' equity	16.66	9.83	18.60	19.20	19.36	18.54	14.16	18.43
Cash dividend payout ratio	46.83	76.40	41.62	40.98	41.86	39.63	53.84	40.29
Cash Basis Financial Information (1) (2)								
Net income	$ 995,821	$ 162,566	$ 281,589	$ 279,401	$ 272,265	$ 263,529	$ 444,155	$ 515,953
Net income per diluted share	$ 4.86	$ .79	$ 1.38	$ 1.36	$ 1.33	$ 1.27	$ 2.17	$ 2.49
Annualized return on assets	1.48%	.95%	1.69%	1.69%	1.70%	1.63%	1.32%	1.61%
Annualized return on shareholders' equity	17.73	13.84	24.27	24.02	23.40	22.36	19.02	21.95

(1) Excludes the effects of nonrecurring merger-related and litigation settlement charges.
(2) Excludes the effects of purchase accounting related intangibles.

Results of Operations

This Quarterly Report on Form 10-Q should be read in conjunction with Wachovia's 1999 Annual Report on Form 10-K, and will serve to update previously reported information for current interim period results.

Overview

Reports on the second quarter from the twelve Federal Reserve Districts indicated continued economic expansion with some signs of slowing from the rapid pace experienced earlier in the year. Retail sales were higher than year-earlier levels but showed some signs of slowing toward the latter part of the quarter. Overall manufacturing activity rose during the quarter with interest-sensitive sectors beginning to weaken. Gross domestic product rose 5.2 percent, based on preliminary data. Economic expansion continued in spite of growing concerns about higher levels of inflation, significant amounts of consumer indebtedness, and generally tight labor markets. These concerns prompted the Federal Reserve to raise short-term interest rates by 50 basis points, following five 25 basis point increases since July 1999. Based on preliminary data, the nation's average unemployment rate fell to 4.0 percent from 4.3 percent during second quarter 1999. Within Wachovia's five state operating area, unemployment averaged 3.5 percent. Although economic conditions within Wachovia's five state operating area remained generally strong, signs of some credit deterioration were beginning to surface within Wachovia's loan portfolio.

Wachovia's strategy is to focus on entering and expanding businesses with strong potential for growth, and redirecting resources as appropriate for the most attractive returns. This will continue to be accomplished by enhancing products and services through internal development, as well as by selective acquisitions and partnerships. On February 1, Wachovia completed its purchase of a majority of the credit card business of Partners First Holdings LLC, adding 1.2 million customers and approximately $2 billion of managed receivables. The transaction resulted in approximately $230 million of purchased credit card intangibles. The acquisition of B C Bankshares, Inc., parent company of the Bank of Canton also was completed in February, resulting in goodwill of approximately $97 million. On June 1, Wachovia completed the acquisition of Commerce National Corporation, the parent company of the National Bank of Commerce, resulting in goodwill of approximately $33 million. These transactions follow several purchase acquisitions completed in 1999 that strengthened Wachovia's wealth advisory and capital markets capabilities.

Computation of Earnings Per Common Share — **Table 4**

(thousands, except per share)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Basic				
Average common shares outstanding	202,728	203,746	202,596	203,434
Net income	$137,571	$247,550	$382,278	$490,786
Per share amount	$ .68	$ 1.21	$ 1.89	$ 2.41
Diluted				
Average common shares outstanding	202,728	203,746	202,596	203,434
Dilutive common stock options at average market price	1,640	3,215	1,590	3,316
Dilutive common stock awards at average market price	181	415	184	406
Convertible long-term debt assumed converted	23	24	22	25
Average diluted shares outstanding	204,572	207,400	204,392	207,181
Net income	$137,571	$247,550	$382,278	$490,786
Add interest on convertible long-term debt — net of tax	11	16	28	36
Adjusted net income	$137,582	$247,566	$382,306	$490,822
Per share amount	$ .67	$ 1.19	$ 1.87	$ 2.37

Wachovia's operating net income for the second quarter of 2000 was $143 million or $.70 per diluted share versus $253 million or $1.22 per diluted share a year earlier. On a reported basis, Wachovia's net income for the quarter was $138 million or $.67 per diluted share versus $248 million or $1.19 per diluted share a year earlier. The second quarter of 2000 included a $200 million provision for loan losses charge that affected comparability between periods. The charge reflected stress on the commercial loan portfolio as a result of pressure on customer performance in light of rising interest rates and the slowing economy. The provision for loan losses is discussed in more detail on pages 23 and 24. Year-to-date operating earnings were

$408 million or $2.00 per diluted share compared with $496 million or $2.40 per diluted share for the same period in 1999. Operating earnings exclude merger-integration and other nonrecurring charges. Reported earnings for the first six months of 2000 were $382 million or $1.87 per diluted share and $491 million or $2.37 per diluted share a year earlier. Comparisons between the 2000 and 1999 periods are also impacted by the results of acquisitions that are included in reported results from their respective acquisition dates each year.

Expanded discussion of results of operations and financial condition follows. Interest income is stated on a taxable equivalent basis, which is adjusted for the tax-favored status of earnings from certain loans and securities. References to changes in assets and liabilities represent daily average levels unless otherwise noted.

Business Segments

Wachovia has five reportable business segments: Asset and Wealth Management, Corporate, Credit Card, Consumer and Treasury & Administration.

Business segment results are reported on a management accounting basis. They reflect evolving information needs specific to a company's business managers and may differ by company due to wide discretion in application. As a result, Wachovia's business segment results are not necessarily comparable with those of other financial institutions with similar segments or with those of other companies that compete directly in one or more of its lines of business. In addition, business segment results may be restated in the future as Wachovia's management structure, information needs or reporting systems evolve.

The provision for loan losses is charged to each business segment based on the credit risk of each segment's loan portfolio. Operating expenses to support business unit revenues are either charged directly as incurred or allocated from support areas based on usage. In addition, general overhead expense that cannot be specifically identified to a business unit is allocated based on the proportion of each segment's direct expenses to total direct expenses of the combined segments. Income tax expense is calculated for each business segment with a blended tax rate. This rate is adjusted as applicable for the assumed tax effect of tax-exempt income and nondeductible intangible amortization expense.

Beginning January 2000, Wachovia adopted a marginal matched maturity funds transfer pricing methodology for management reporting. Formerly, Wachovia utilized a multiple pool method to simulate matched funding. This change in management accounting has been reflected for all periods. Given the complexity of products and services and their impact on cash and balance sheet management, the marginal matched maturity method provides an improved method of measuring the economics of products, services and business unit results. The new approach evaluates the cash flows and repricing characteristics of all balance sheet transactions at an instrument level by benchmarking pricing decisions against Wachovia's wholesale cost of funds. This approach removes most forms of interest rate risk, prepayment risk and liquidity risk from the balance sheets of the business units and isolates them in Treasury & Administration for centralized evaluation and management. Under marginal matched maturity funds transfer pricing, business unit results more closely represent the economic impact of growth and pricing decisions. Other minor changes in management accounting were implemented during the second quarter with all prior periods restated to reflect the changes.

Financial results by business segment are discussed below.

Business Segments — Table 5

(Three Months Ended June 30)

	Asset and Wealth Management		Corporate		Credit Card		Consumer		Treasury & Administration		Eliminations		Total Corporation	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Operations Summary (millions)														
External net interest margin	$ 36	$ 26	$ 649	$ 532	$ 293	$ 209	$ (44)	$ (37)	$ (284)	$ (103)	$ (11)	$ (10)	$ 639	$ 617
Internal funding (charge) credit	2	8	(406)	(302)	(126)	(79)	273	248	281	149	(24)	(24)	—	—
Net interest income*	38	34	243	230	167	130	229	211	(3)	46	(35)	(34)	639	617
Total other income	149	128	107	101	55	42	110	104	49	40	—	—	470	415
Total revenues	187	162	350	331	222	172	339	315	46	86	(35)	(34)	1,109	1,032
Provision for loan losses	1	—	224	9	100	73	5	5	(57)	(13)	—	—	273	74
Total other expense	158	133	179	168	77	54	239	233	3	17	(25)	(24)	631	581
Pretax profit	28	29	(53)	154	45	45	95	77	100	82	(10)	(10)	205	377
Income taxes (benefit)	11	11	(19)	55	16	16	34	28	35	29	(10)	(10)	67	129
Net income (loss)	$ 17	$ 18	$ (34)	$ 99	$ 29	$ 29	$ 61	$ 49	$ 65	$ 53	$—	$—	$ 138	$ 248
Percentage contribution to total revenues**	16.4%	15.2%	30.6%	31.1%	19.4%	16.1%	29.6%	29.5%	4.0%	8.1%				
Percentage contribution to net income	12.3%	7.3%	(24.6%)	39.9%	21.0%	11.7%	44.2%	19.7%	47.1%	21.4%				
Average Balances (millions)														
Total assets	$3,608	$2,599	$37,913	$34,389	$8,086	$6,238	$10,871	$9,622	$8,988	$12,606			$69,466	$65,454

* Net interest income is reported on a taxable equivalent basis by segment and on a nontaxable equivalent basis for the corporation, reflecting segment eliminations.
** Percentage contribution to total revenues is based on the proportion of each segment's revenues to the combined revenues of all segments. Revenues for the total corporation are presented based on nontaxable equivalent net interest income and total other income, including securities transactions.

Business Segments — Table 6

(Six Months Ended June 30)

	Asset and Wealth Management		Corporate		Credit Card		Consumer		Treasury & Administration		Eliminations		Total Corporation	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Operations Summary (millions)														
External net interest margin	$ 70	$ 45	$ 1,263	$ 1,039	$ 560	$ 420	$ (87)	$ (73)	$ (528)	$ (186)	$ (19)	$ (20)	$ 1,259	$ 1,225
Internal funding (charge) credit	5	14	(776)	(591)	(240)	(156)	536	495	524	284	(49)	(46)	—	—
Net interest income*	75	59	487	448	320	264	449	422	(4)	98	(68)	(66)	1,259	1,225
Total other income	315	204	218	193	106	78	214	203	88	71	—	—	941	749
Total revenues	390	263	705	641	426	342	663	625	84	169	(68)	(66)	2,200	1,974
Provision for loan losses	3	—	242	17	186	145	11	9	(95)	(16)	—	—	347	155
Total other expense	320	213	355	311	143	106	466	454	34	35	(49)	(46)	1,269	1,073
Pretax profit	67	50	108	313	97	91	186	162	145	150	(19)	(20)	584	746
Income taxes	27	19	40	112	35	32	68	59	51	53	(19)	(20)	202	255
Net income	$ 40	$ 31	$ 68	$ 201	$ 62	$ 59	$ 118	$ 103	$ 94	$ 97	$—	$—	$ 382	$ 491
Percentage contribution to total revenues**	17.2%	12.9%	31.1%	31.4%	18.8%	16.8%	29.2%	30.6%	3.7%	8.3%				
Percentage contribution to net income	10.5%	6.3%	17.8%	40.9%	16.2%	12.0%	30.9%	21.0%	24.6%	19.8%				
Average Balances (millions)														
Total assets	$3,478	$2,555	$37,433	$34,010	$7,893	$6,296	$10,572	$9,607	$9,234	$12,466			$68,610	$64,934

* Net interest income is reported on a taxable equivalent basis by segment and on a nontaxable equivalent basis for the corporation, reflecting segment eliminations.
** Percentage contribution to total revenues is based on the proportion of each segment's revenues to the combined revenues of all segments. Revenues for the total corporation are presented based on nontaxable equivalent net interest income and total other income, including securities transactions.

Asset and Wealth Management

Asset and Wealth Management provides integrated financial services to the affluent marketplace. During 1999, Wachovia made three acquisitions to advance its capabilities. In April 1999, Wachovia acquired Interstate/Johnson Lane Inc. ("IJL") and in September, Wachovia completed the acquisitions of OFFITBANK Holdings, Inc. ("OFFITBANK") and Barry, Evans, Josephs & Snipes, Inc. ("BEJS"). Also in the third quarter of 1999, Wachovia sold its master trust and institutional custody business in order to focus on more strategically oriented businesses.

Products and Services. Asset and Wealth Management delivers innovative tailored products and services through a variety of channels. The Private Financial Advisors group provides a full range of products and services to affluent customers, including banking and credit services, tax planning and consulting, trust services, portfolio management, estate planning, investment counseling and insurance. OFFITBANK and BEJS provide wealth management and specialized investment and insurance products for the high-end of the affluent market.

Wachovia's brokerage business offers a wide variety of services and investment products including the Wachovia Funds through full-service brokers and branch-based investment consultants. Customers making their own investment decisions can trade through Wachovia Investments Direct using a broker, a touch-tone service or the Internet.

Institutional Client Services provides asset management, retirement services and philanthropy management services to businesses, individuals and foundations. Executive Services is a nationally recognized leader in providing retirement and wealth accumulation products for high-net-worth individuals. It also provides change-of-control and employee benefit protection services to client management teams. Wachovia Asset Management provides investment strategies and portfolio management for individuals and institutions, in addition to managing the Wachovia Funds. At June 30, 2000, trust assets under discretionary management exceeded $50 billion.

Industry Dynamics and Strategy. Wachovia believes the current marketplace is underserved with few national brands and fragmented competition. Within Wachovia's five-state geographic footprint, households are growing much faster than the national average, and over the next five years, the subset of affluent households is expected to grow substantially. These factors combine to create an attractive market opportunity. Market volatility and the projected need for intergenerational wealth transfer capabilities also will drive demand.

Asset and Wealth Management's market presence, brand names and strategic focus position it to take unique advantage of this environment. The integration of the acquisitions has allowed this business segment to increase its product offerings, leverage existing services and expand distribution channels. In addition, close coordination with Wachovia's Consumer and Corporate business segments creates a continuous pipeline of customers. When retail customers fit the affluent profile, they are offered wealth management products that better serve their changing needs. Corporate identifies potential customers for asset management, retirement plans and executive or charitable funds services.

Financial Results. Comparisons of financial results between periods were affected by acquisitions and market sensitivity of certain revenue sources. Second quarter 2000 saw a decline in trading activity that contributed to the decrease in quarterly pretax profit from a year earlier. The acquisition of IJL significantly increased the scale of Wachovia's market sensitive revenue in investment fee income. Goodwill amortization expense and the expense base from the acquisitions of OFFITBANK and BEJS as well as start up costs incurred with opening new OFFITBANK offices in Palm Beach, Florida, Atlanta, Georgia, Charlotte and Winston-Salem, North Carolina, accounted for the higher level of expense from a year ago. Increases in loan and deposit volumes pushed net interest income up over $4 million from the second quarter of 1999 after covering the additional cost of funding intangible assets resulting from acquisitions. Without the impact of acquisitions, net interest income was up approximately 20 percent from a year ago, and other income and expense rose 6 percent and 1 percent, respectively.

Year-to-date pretax profit increased 34 percent over the same period last year. Despite the decline in market sensitive businesses in the second quarter of 2000, first quarter activity achieved record levels contributing to a net increase in investment fees for the first six months of 2000 compared with a year ago. Loan and deposit growth was primarily responsible for the

$16 million increase in net interest income. The increase in expenses reflected goodwill amortization and the added expense base of the acquired entities.

Corporate

Corporate strives to be the preferred provider of services to targeted corporate clients through comprehensive relationship management. To achieve this goal, it works to know its customers better than the competition; anticipate customer needs and provide innovative solutions; align products, services and delivery channels with customer needs; and serve customers through insightful, trusted professionals.

Products and Services. Corporate provides a comprehensive array of capital solutions, strategic consulting, and risk management services to public and private companies primarily in the Southeast, but also on a national and global level. Corporate is a leading provider of treasury consulting and cash management solutions, and its Treasury Services group consistently is cited for superior quality of service, technology and operations performance. The acquisition of IJL strengthened Wachovia's capabilities as a provider of capital and financial advisory services by doubling the number of investment banking professionals; adding equity research, sales and trading; and expanding its fixed income distribution capacity. The acquisition of IJL also resulted in the formation of Wachovia Securities, Inc. (WSI), a subsidiary that has full powers to underwrite and deal in all types of corporate debt and equities. WSI is a member of the NYSE, regional exchanges and the NASD, publishes equity research on an expanding list of approximately 150 companies, and makes a market in more than 180 stocks.

Industry Dynamics and Strategy. In a highly competitive environment, Corporate maintains a strong market position in the Southeast and a top ten share in the U.S. large corporate market. Client attitudes and behaviors, as well as rapid changes in technology and communications continue to transform the marketplace. To achieve continued success in this environment, Corporate segments the market to best align its sales approach, service model and product development priorities with customer requirements, segment profitability and growth potential. As a result, the traditional market-based segmentation is augmented with needs-based segmentation where specialization is more appropriate. Examples of Wachovia's segment specialization include Commercial Real Estate, the Emerging Growth and Technology Group, the Communications Group, Leveraged Finance, Dealer Financial Services, Aircraft Finance, Government Contract Finance and Financial Institutions.

Financial Results. Net interest income increased $13 million or 6 percent compared with the second quarter of 1999. Average loans outstanding increased 11 percent over the prior year second quarter, while loan spreads tightened. The loan loss provision increased by $215 million, consistent with the loan loss charge recorded in the second quarter. Other income rose 6 percent, driven by gains in letter of credit fees and Treasury Services revenues. Noninterest expense was up 7 percent due primarily to increased expenditures on technology initiatives.

Year to date, net interest income increased $39 million or 9 percent over the same period in 1999, reflecting 12 percent growth in average loans, offset partially by loan spread compression. The loan loss provision increased by $225 million, driven by the reasons discussed in more detail in the Allowance for Loan Losses section beginning on page 23. Other income grew by 13 percent, reflecting the inclusion of the former IJL Capital Markets business activity for the full six months in 2000, in addition to stronger Treasury Services results. Noninterest expense increased 14 percent, due to the addition of the former IJL business units, as well as higher technology spending. Excluding the impact of the 1999 IJL acquisition, other income rose 6 percent year to date, while other expense rose 7 percent.

Credit Card

Credit Card's mission is to be the preferred credit card issuer, offering the best value on a combined rate and fee package while providing excellent customer service.

Products and Services. The Credit Card business segment is a full-service provider of consumer and business credit cards and merchant acquirer services. Credit Card manages most components of credit card processing in-house, with the exception of servicing business card products and the Partners First portfolio that are processed through outside vendors. Currently, 92 percent of Wachovia's credit card portfolio accrues interest at a variable rate and 34 percent of the accounts are within Wachovia's five state geographic footprint.

Industry Dynamics and Strategy. The credit card industry is in a period of intense competition and consolidation. Leading providers are leveraging technology to build scale and operating efficiencies. Credit Card's strategy focuses on serving above-average credit quality customers whom carry higher-than-average loan balances while maintaining an efficient and cost-effective process.

Financial Results. Comparison between periods for Credit Card was significantly affected by the acquisition of the Partners First credit card portfolio on February 1, 2000. The acquisition of Partners First added approximately $2 billion in managed receivables, increasing the total by more than 30 percent. The Partners First receivables have a higher charge off rate and higher yield than the rest of the portfolio. Quarterly pretax profit was flat from the amount reported for the second quarter of 1999. Net interest income grew 28 percent, primarily due to the Partners First acquisition. This was partially offset by compressed spreads resulting from rising interest rates and the lag effect of repricing accounts, as well as lower late fees. The loan loss provision increased 37 percent, primarily as a result of the acquisition offset by improved losses on the original Wachovia portfolio. Excluding the Partners First portfolio, the loan loss ratio was 4.03 percent of average loans. Noninterest income increased 31 percent largely due to the acquisition and higher overlimit fees. Total expenses increased by 43 percent due to the acquisition.

Year to date, pretax profit increased 7 percent. The acquisition of the Partners First portfolio was the cause for the 21 percent increase in net interest income, which was partially offset by lower spreads resulting from rising interest rates and the lag effect of repricing accounts. Lower late fees also offset some of the increase resulting from acquisitions. The increase in the loan loss provision was due to the acquisition as the charge off rate on the original Wachovia portfolio improved from a year ago. Excluding the Partners First portfolio, the loan loss ratio was 4.08 percent. Noninterest income grew 36 percent mainly due to the acquisition; strong interchange income from increased purchase volume and higher overlimit fees. Total expenses rose by 35 percent primarily due to the acquisition.

Consumer

Consumer develops customer relationships for the greatest lifetime value, manages the cost of the sales and service network and pursues opportunities to attract and serve customers through digital channels. It targets consumers, worksite groups and small businesses throughout the Southeast, offering a broad array of competitively priced products and services. Consumer's importance to the entire Wachovia enterprise cannot be measured entirely by its profit contribution because its customer base and the impact of its branch network are fundamental to the success of Wachovia's business segments.

Products and Services. Consumer provides the more traditional retail banking services, including mortgage lending, deposit products and consumer loans, as well as services for the small business market. It also offers access to investment and insurance products. Delivery channels include 700 traditional and in-store branches and worksite centers, 1,377 ATMs and 31 kiosks, supported by four automated phone centers. Wachovia is the ninth largest Visa check card issuer and has enjoyed the growing consumer acceptance of this electronic capability. Campus Card programs provide card-based banking access at 10 university campuses, and Wachovia At Work serves employees of more than 4,200 companies.

The Internet is growing in importance as a forum for financial services. Three hundred seventy-five thousand of Wachovia's demand deposit customers are enrolled in Internet banking, up from 226 thousand at year-end and 113 thousand the prior year. Wachovia's Internet site, *www.wachovia.com*, serves as a financial portal with full transaction capability and relevant financial news.

Industry Dynamics and Strategy. Consumer serves more than 3.8 million consumers and approximately 180,000 small business customers. A majority of Wachovia's deposits are in large, high-growth metropolitan areas. Consumer's strategy is to assess customer potential, identify their financial needs and achieve alignment between their needs, service expectations and price. Specific initiatives to implement this strategy include: SELECTIVE GEOGRAPHIC EXPANSION. Wachovia continues to evaluate merger and branching opportunities in high-growth areas. During the first quarter of 2000, Wachovia completed the acquisition of Bank of Canton in the suburban Atlanta area. Wachovia completed the acquisition of the National Bank of Commerce in Winter Park, Florida in early June. PROFITABLE RELATIONSHIP OPTIMIZATION (PRO). Desktop technology connects to data warehouses that analyze customer information and anticipate the next likely desired service. This technology is combined with solution-selling skills by Personal Financial Advisors, small business, and branch bankers to serve more than 400,000 high-potential customers. WACHOVIA AT WORK AND CAMPUS BANKING PROGRAMS. These strategies involve deploying Wachovia products and services through employers and universities to provide access to employees and students. MARKET NETWORK STRATEGY. Network optimization models provide an analytical framework to reduce branch network expenses, while at the same time maximizing customer points of presence. In May, Wachovia announced agreements to sell 15 branches in Virginia and 4 in North Carolina. SEAMLESS CUSTOMER SERVICE. During the second quarter, Wachovia On-Call, Consumer's automated phone center group, implemented new technology to enhance customer service, reduce cost and provide the foundation for network-based call processing.

***e*Business** activities at Wachovia are enterprise wide. Advances in technology are rapidly transforming the financial services industry. The *e*Business Division provides *e*Business strategic planning, leadership and operational management. Business units sponsor specific Internet initiatives to meet the dynamic demands of their customer groups. This collaborative structure maximizes the leverage from technology and research with the necessary responsiveness to customer requirements and deliverables. Wachovia's *e*Business strategy is to develop a personalized and seamlessly delivered customer experience when using *www.wachovia.com* and to augment the site with relevant financial data. Value is created by aligning customer acquisition, retention, cross-selling and cost reduction throughout all customer segment and delivery channels.

Financial Results. Consumer's pretax profit increased 23 percent from the same quarter last year. Net interest income increased 9 percent to $229 million, driven by higher loans and net deposits and rising interest rates. Other income increased 6 percent to $110 million, primarily due to deposit account fee growth. Electronic banking revenues grew 17 percent, mostly in ATM, check card and interchange revenues. Mortgage fees decreased 30 percent, as sales declined and the mix shifted to adjustable-rate mortgages from fixed-rate mortgages which are sold in the secondary market. Total expenses increased 2.6 percent due to the investment in Wachovia's Internet site to support retail and the additions of Bank of Canton and National Bank of Commerce.

Six-month pretax profit of $186 million increased 15 percent over the first half of 1999. Strong results from the branch-based consumer business offset a difficult mortgage lending environment and investments in Wachovia's retail delivery through the Internet. Results included five months of Bank of Canton and one month of National Bank of Commerce. Net interest income increased 6 percent on good loan and deposit growth and higher interest rates. Loan growth was solid in the Bankline and Equity Bankline categories. Savings certificates was the highest growth category in deposits as a result of the acquired banks and special marketing promotions. Other income was up 5 percent driven by healthy deposit account and electronic banking fee growth. Electronic banking revenues grew 21 percent due to rising ATM, debit card volumes and interchange revenues. Mortgage fees declined 39 percent on lower volume and a continued shift from fixed rate to adjustable-rate mortgages. Expenses grew 3 percent, as a result of the addition of the Bank of Canton and investment in the Internet site to support retail customers.

Treasury & Administration

The Treasury & Administration segment principally reflects asset and liability management for interest rate risk, management of the securities portfolio, internal compensation for funding sources and charges for funds used. Also reflected is the funding impact and the gain on the sale of credit card securitized loans, since the Credit Card business segment is reported on a managed basis. Other unallocated corporate costs and certain nonrecurring expenses are also included.

Financial Results. The credit card securitization transactions that occurred during March and September 1999 and the securitized portion of the acquired Partners First credit card portfolio impacted comparability to prior year results. Average securitized loans outstanding during these periods increased approximately 29 percent on a quarterly basis and 25 percent on a year to date basis. Quarterly pretax profit increased $18 million to $100 million in the second quarter of 2000 from 1999. The net interest income was down $49 million principally as a result of the impact of the credit card securitized portfolios. Similarly, the loan loss provision declined $44 million, with $37 million related to the securitized portfolios. Other income rose $9 million, principally as a result of the processing revenue for servicing the securitized credit card portfolios. Other expense decreased $14 million due to lower software development and operational expenses related in part to enterprise wide projects such as Year 2000 preparations.

Year-to-date pretax profit declined $5 million to $145 million from $150 million in 1999. As a result of the credit card securitized portfolios, net interest income and loan loss provision declined $102 million and $79 million, respectively. Other income rose $17 million, with credit card processing revenue up $22 million and credit card income down $9 million, both due to the securitized portfolios. Other expense decreased $1 million caused by lower software development and operational expenses, including $11 million associated with expenses incurred in 1999 to prepare for the Year 2000 event, offset by lower nonrecurring integration and litigation settlement charges of $29 million.

Average Volume 2000	Average Volume 1999	Average Rate 2000	Average Rate 1999		Interest 2000	Interest 1999	Variance	Variance Attributable to Rate	Variance Attributable to Volume
(Millions)				**Interest Income**			(Thousands)		
				Loans:					
$17,570	$15,976	8.50	6.91	Commercial	$ 371,154	$ 275,364	$ 95,790	$ 66,695	$ 29,095
673	832	9.30	9.07	Tax-exempt	15,545	18,813	(3,268)	462	(3,730)
18,243	16,808	8.53	7.02	Total commercial	386,699	294,177	92,522	66,171	26,351
1,236	1,072	8.84	8.60	Direct retail	27,162	22,970	4,192	640	3,552
3,906	3,371	8.11	7.92	Indirect retail	78,756	66,579	12,177	1,578	10,599
4,741	4,932	14.21	13.37	Credit card	167,493	164,369	3,124	9,828	(6,704)
741	572	11.54	10.79	Other revolving credit	21,264	15,387	5,877	1,125	4,752
10,624	9,947	11.16	10.86	Total retail	294,675	269,305	25,370	7,246	18,124
2,797	2,149	9.96	8.16	Construction	69,244	43,702	25,542	10,795	14,747
8,206	7,200	8.48	7.95	Commercial mortgages	173,096	142,724	30,372	9,855	20,517
8,272	7,311	8.00	7.81	Residential mortgages	164,611	142,330	22,281	3,557	18,724
19,275	16,660	8.49	7.91	Total real estate	406,951	328,756	78,195	24,792	53,403
2,694	2,265	9.08	11.79	Lease financing	60,794	66,606	(5,812)	(17,038)	11,226
1,297	1,332	7.64	6.32	Foreign	24,636	21,007	3,629	4,197	(568)
52,133	47,012	9.06	8.36	Total loans	1,173,755	979,851	193,904	83,944	109,960
				Securities:					
				Held-to-maturity:					
452	614	6.04	6.21	U.S. Government and agency	6,777	9,493	(2,716)	(256)	(2,460)
400	510	8.13	8.12	Mortgage-backed	8,092	10,320	(2,228)	19	(2,247)
214	159	9.52	9.99	State and municipal	5,067	3,962	1,105	(198)	1,303
32	62	6.96	6.99	Other	554	1,073	(519)	(4)	(515)
1,098	1,345	7.51	7.41	Total held-to-maturity	20,490	24,848	(4,358)	298	(4,656)
				Available-for-sale:**					
2,867	3,573	6.87	6.57	U.S. Government and agency	48,965	58,525	(9,560)	2,549	(12,109)
3,756	4,181	6.52	6.32	Mortgage-backed	60,895	65,861	(4,966)	2,026	(6,992)
686	565	6.65	6.60	Other	11,339	9,285	2,054	72	1,982
7,309	8,319	6.67	6.44	Total available-for-sale	121,199	133,671	(12,472)	4,462	(16,934)
8,407	9,664	6.78	6.58	Total securities	141,689	158,519	(16,830)	4,605	(21,435)
108	83	5.23	6.70	Interest-bearing bank balances	1,400	1,391	9	(346)	355
444	707	6.16	4.78	Federal funds sold and securities purchased under resale agreements	6,796	8,429	(1,633)	2,029	(3,662)
689	798	6.43	4.07	Trading account assets	11,025	8,107	2,918	4,152	(1,234)
$61,781	$58,264	8.69	7.96	Total interest-earning assets	1,334,665	1,156,297	178,368	107,481	70,887
				Interest Expense					
$ 4,793	$ 4,691	1.46	1.20	Interest-bearing demand	17,379	13,991	3,388	3,080	308
13,305	13,424	4.20	3.48	Savings and money market savings	139,095	116,476	22,619	23,677	(1,058)
9,243	8,746	5.59	5.09	Savings certificates	128,528	110,926	17,602	11,193	6,409
4,198	3,394	5.92	5.08	Large denomination certificates	61,816	42,992	18,824	7,744	11,080
31,539	30,255	4.42	3.77	Total interest-bearing deposits in domestic offices	346,818	284,385	62,433	50,130	12,303
4,124	2,088	6.08	4.62	Interest-bearing deposits in foreign offices	62,308	24,039	38,269	9,368	28,901
35,663	32,343	4.61	3.82	Total interest-bearing deposits	409,126	308,424	100,702	67,239	33,463
5,597	6,155	5.95	4.47	Federal funds purchased and securities sold under repurchase agreements	82,804	68,530	14,274	20,983	(6,709)
1,627	1,452	5.88	4.48	Commercial paper	23,783	16,234	7,549	5,443	2,106
1,397	2,022	7.37	5.46	Other short-term borrowed funds	25,619	27,537	(1,918)	8,006	(9,924)
8,621	9,629	6.17	4.68	Total short-term borrowed funds	132,206	112,301	19,905	32,669	(12,764)
2,106	2,544	6.30	5.43	Bank notes	32,962	34,467	(1,505)	4,986	(6,491)
6,745	5,454	6.64	5.47	Other long-term debt	111,435	74,410	37,025	17,587	19,438
8,851	7,998	6.56	5.46	Total long-term debt	144,397	108,877	35,520	23,254	12,266
$53,135	$49,970	5.19	4.25	Total interest-bearing liabilities	685,729	529,602	156,127	121,351	34,776
		3.50	3.71	Interest rate spread					
		4.22	4.31	Net yield on interest-earning assets and net interest income	$ 648,936	$ 626,695	$ 22,241	(13,681)	35,922

* Interest income and yields are presented on a fully taxable equivalent basis using the federal income tax rate and state tax rates, as applicable, reduced by the nondeductible portion of interest expense. Any variance attributable jointly to volume and rate changes is allocated to the volume and rate in proportion to the relationship of the absolute dollar amount of the change in each.

** Volume amounts are reported at amortized cost; excludes pretax unrealized losses of $159 million in 2000 and pretax unrealized gains of $68 million in 1999.

Taxable Equivalent Rate/Volume Analysis — Six Months*

Average Volume 2000	Average Volume 1999	Average Rate 2000	Average Rate 1999		Interest 2000	Interest 1999	Variance	Variance Attributable to Rate	Variance Attributable to Volume
(Millions)				**Interest Income**			(Thousands)		
				Loans:					
$17,393	$15,418	8.28	6.94	Commercial	$ 716,050	$ 530,319	$185,731	$111,777	$ 73,954
673	881	9.29	9.18	Tax-exempt	31,104	40,141	(9,037)	485	(9,522)
18,066	16,299	8.32	7.06	Total commercial	747,154	570,460	176,694	109,924	66,770
1,172	1,072	8.77	8.75	Direct retail	51,131	46,523	4,608	117	4,491
3,855	3,340	8.00	7.94	Indirect retail	153,382	131,561	21,821	1,011	20,810
4,813	5,389	13.80	13.31	Credit card	330,305	355,703	(25,398)	12,945	(38,343)
716	559	11.42	10.87	Other revolving credit	40,676	30,134	10,542	1,633	8,909
10,556	10,360	10.96	10.98	Total retail	575,494	563,921	11,573	(573)	12,146
2,626	2,121	9.45	8.36	Construction	123,400	87,891	35,509	12,581	22,928
8,100	7,127	8.40	8.01	Commercial mortgages	338,324	283,046	55,278	14,572	40,706
8,066	7,324	7.91	7.82	Residential mortgages	317,391	284,007	33,384	3,506	29,878
18,792	16,572	8.34	7.97	Total real estate	779,115	654,944	124,171	31,808	92,363
2,650	2,104	9.32	11.95	Lease financing	122,731	124,679	(1,948)	(30,605)	28,657
1,278	1,303	7.50	6.32	Foreign	47,685	40,858	6,827	7,599	(772)
51,342	46,638	8.90	8.45	Total loans	2,272,179	1,954,862	317,317	109,210	208,107
				Securities:					
				Held-to-maturity:					
444	592	6.36	6.21	U.S. Government and agency	14,024	18,238	(4,214)	418	(4,632)
404	543	8.07	8.28	Mortgage-backed	16,211	22,285	(6,074)	(535)	(5,539)
211	163	9.51	9.86	State and municipal	9,986	7,986	2,000	(296)	2,296
37	67	6.59	6.85	Other	1,222	2,270	(1,048)	(83)	(965)
1,096	1,365	7.60	7.50	Total held-to-maturity	41,443	50,779	(9,336)	690	(10,026)
				Available-for-sale:**					
2,876	3,374	6.53	6.50	U.S. Government and agency	93,312	108,739	(15,427)	459	(15,886)
3,762	4,134	6.50	6.39	Mortgage-backed	121,674	130,965	(9,291)	2,372	(11,663)
667	571	6.67	7.04	Other	22,122	19,915	2,207	(1,080)	3,287
7,305	8,079	6.53	6.48	Total available-for-sale	237,108	259,619	(22,511)	1,901	(24,412)
8,401	9,444	6.67	6.63	Total securities	278,551	310,398	(31,847)	1,878	(33,725)
103	107	5.74	6.78	Interest-bearing bank balances	2,923	3,584	(661)	(526)	(135)
484	595	5.93	4.82	Federal funds sold and securities purchased under resale agreements	14,288	14,231	57	2,970	(2,913)
656	749	6.55	3.70	Trading account assets	21,382	13,760	7,622	9,502	(1,880)
$60,986	$57,533	8.54	8.05	Total interest-earning assets	2,589,323	2,296,835	292,488	146,931	145,557
				Interest Expense					
$ 4,774	$ 4,678	1.48	1.15	Interest-bearing demand	35,225	26,716	8,509	7,943	566
13,334	13,158	4.08	3.53	Savings and money market savings	270,226	230,023	40,203	37,030	3,173
9,104	8,796	5.44	5.14	Savings certificates	246,265	224,375	21,890	13,581	8,309
4,112	3,385	5.77	5.17	Large denomination certificates	117,960	86,718	31,242	11,019	20,223
31,324	30,017	4.30	3.81	Total interest-bearing deposits in domestic offices	669,676	567,832	101,844	75,841	26,003
3,944	2,078	5.82	4.65	Interest-bearing deposits in foreign offices	114,230	47,959	66,271	14,515	51,756
35,268	32,095	4.47	3.87	Total interest-bearing deposits	783,906	615,791	168,115	102,721	65,394
5,721	6,087	5.63	4.41	Federal funds purchased and securities sold under repurchase agreements	160,099	132,994	27,105	35,410	(8,305)
1,633	1,436	5.64	4.48	Commercial paper	45,799	31,915	13,884	9,081	4,803
1,417	1,938	7.04	5.26	Other short-term borrowed funds	49,625	50,562	(937)	14,637	(15,574)
8,771	9,461	5.86	4.59	Total short-term borrowed funds	255,523	215,471	40,052	56,533	(16,481)
2,088	2,646	6.24	5.57	Bank notes	64,831	73,054	(8,223)	8,259	(16,482)
6,378	5,168	6.54	5.76	Other long-term debt	207,330	147,596	59,734	21,857	37,877
8,466	7,814	6.46	5.69	Total long-term debt	272,161	220,650	51,511	31,873	19,638
$52,505	$49,370	5.02	4.30	Total interest-bearing liabilities	1,311,590	1,051,912	259,678	188,829	70,849
		3.52	3.75	Interest rate spread					
		4.21	4.36	Net yield on interest-earning assets and net interest income	$1,277,733	$1,244,923	$ 32,810	(42,511)	75,321

* Interest income and yields are presented on a fully taxable equivalent basis using the federal income tax rate and state tax rates, as applicable, reduced by the nondeductible portion of interest expense. Any variance attributable jointly to volume and rate changes is allocated to the volume and rate in proportion to the relationship of the absolute dollar amount of the change in each.

** Volume amounts are reported at amortized cost; excludes pretax unrealized losses of $154 million in 2000 and unrealized gains of $93 million in 1999.

Consolidated Financial Results

Net Interest Income

Wachovia's taxable equivalent net interest income rose $22 million or 3.5 percent from the second quarter of 1999 to $649 million. Year-to-date net interest income increased $33 million from the same period a year ago. During the second quarter, the Federal Reserve continued to take action to slow the economy with a 50 basis point rate increase that followed five 25 basis point increases from July 1999 through the end of the first quarter. Upon each action by the Federal Reserve, Wachovia raised its prime lending rate to keep pace with the rise in funding costs. For second quarter 2000, Wachovia's average prime lending rate and the average federal funds rate were 9.25 percent and 6.27 percent, respectively, compared with 7.75 percent and 4.75 percent, respectively, a year ago.

Wachovia's net yield on interest-earning assets was 4.22 percent compared with 4.31 percent reported for the second quarter of 1999. For the six-month period, the net yield on interest-earning assets was 4.21 percent compared with 4.36 percent a year ago. Loan growth continued to outpace growth in core deposits leading to greater use of wholesale sources to fund loan demand. Although this contributed positively to net interest income, it had a slightly dilutive effect on the net yield on interest-earning assets. Competitive pressures, primarily in the consumer and real estate loan categories, kept pricing for new loans from including the full impact of the Federal Reserve's rate increases. Most of the new loan growth occurred in these two categories.

Managed Credit Card Data **Table 9**

$ in thousands

	2000		1999			Six Months Ended June 30	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	2000	1999
Average credit card loans	$8,135,853	$7,771,010	$6,397,350	$6,343,811	$6,327,848	$7,953,430	$6,378,839
Period-end loans	8,085,573	8,256,409	6,632,439	6,371,927	6,340,473	8,085,573	6,340,473
Net loan losses	100,207	87,040	57,720	59,261	70,563	187,247	140,195
Annualized net loan losses to average loans	4.93%	4.48%	3.61%	3.74%	4.46%	4.71%	4.40%
Delinquencies (30 days or more) to period-end loans	3.74%	3.72%	3.22%	3.35%	2.79%	3.74%	2.79%

The average yield on interest-earning assets increased 73 basis points from the second quarter of 1999 and 49 basis points, comparing year-to-date results. The rise in rates resulted in higher yields in all loan categories. Strong demand for Wachovia's new prime rate home equity product has tempered the rise in yields in the residential real estate portfolio as that product has a lower rate than the existing portfolio. Changes in portfolio mix resulting from credit card securitization transactions completed during 1999 subdued retail loan yields in 2000. The effect of the securitizations was most evident in comparing year-to-date yields to 1999 as the Series 1999-1 transaction, representing $896 million in receivables, occurred late in the first quarter of 1999. The Series 1999-2 transaction occurred in late third quarter 1999.

The average rate paid on interest-bearing liabilities increased by 94 basis points from the second quarter of 1999 and 72 basis points year-to-date from 1999. Comparisons with prior year reflect the rising rate environment that began with the Federal Reserve's actions to slow the economy in early third quarter 1999. Liability mix, although to a much more limited extent, contributed to the increase in the rate on interest bearing liabilities as most of the growth in the balance sheet was funded from wholesale sources. Interest-bearing core deposit funding increased $480 million and $580 million, respectively, compared to the second quarter and the first six months of 1999. The acquisitions of Bank of Canton and National Bank of Commerce and the 1999 third quarter sale of branches all affected growth in core deposits.

For the remainder of the year, management expects the net yield on interest-earning assets to decline moderately from the rate reported in the second quarter. Net interest income is anticipated to grow at a more modest rate for the remainder of the year.

Net Interest Income and Average Balances — Table 10

	Twelve Months Ended June 30 2000	2000 Second Quarter	2000 First Quarter	1999 Fourth Quarter	1999 Third Quarter	1999 Second Quarter	Six Months Ended June 30 2000	Six Months Ended June 30 1999
Net Interest Income — Taxable Equivalent (thousands)								
Interest income:								
Loans — including fees	$4,339,379	$1,173,755	$1,098,424	$1,062,662	$1,004,538	$ 979,851	$2,272,179	$1,954,862
Securities	583,152	141,689	136,862	150,305	154,296	158,519	278,551	310,398
Interest-bearing bank balances	6,729	1,400	1,523	2,175	1,631	1,391	2,923	3,584
Federal funds sold and securities purchased under resale agreements	30,753	6,796	7,492	9,403	7,062	8,429	14,288	14,231
Trading account assets	39,781	11,025	10,357	11,064	7,335	8,107	21,382	13,760
Total	4,999,794	1,334,665	1,254,658	1,235,609	1,174,862	1,156,297	2,589,323	2,296,835
Interest expense:								
Interest-bearing demand	66,943	17,379	17,846	16,439	15,279	13,991	35,225	26,716
Savings and money market savings	517,760	139,095	131,131	126,428	121,106	116,476	270,226	230,023
Savings certificates	469,473	128,528	117,737	112,639	110,569	110,926	246,265	224,375
Large denomination certificates	203,781	61,816	56,144	45,867	39,954	42,992	117,960	86,718
Interest-bearing deposits in foreign offices	175,353	62,308	51,922	36,393	24,730	24,039	114,230	47,959
Short-term borrowed funds	497,213	132,206	123,317	129,354	112,336	112,301	255,523	215,471
Long-term debt	525,889	144,397	127,764	129,463	124,265	108,877	272,161	220,650
Total	2,456,412	685,729	625,861	596,583	548,239	529,602	1,311,590	1,051,912
Net interest income	$2,543,382	$ 648,936	$ 628,797	$ 639,026	$ 626,623	$ 626,695	$1,277,733	$1,244,923
Annualized net yield on interest-earning assets	4.25%	4.22%	4.20%	4.26%	4.29%	4.31%	4.21%	4.36%
Average Balances (millions)								
Assets:								
Loans — net of unearned income	$ 49,560	$ 52,133	$ 50,550	$ 48,593	$ 47,003	$ 47,012	$ 51,342	$ 46,638
Securities	8,822	8,407	8,395	9,016	9,461	9,664	8,401	9,444
Interest-bearing bank balances	116	108	97	136	124	83	103	107
Federal funds sold and securities purchased under resale agreements	550	444	525	681	550	707	484	595
Trading account assets	783	689	623	1,027	790	798	656	749
Total interest-earning assets	59,831	61,781	60,190	59,453	57,928	58,264	60,986	57,533
Cash and due from banks	3,087	2,946	2,981	3,532	2,888	2,975	2,963	3,023
Premises and equipment	948	931	945	955	962	970	938	941
Other assets	4,049	4,565	4,355	3,653	3,632	3,713	4,460	3,880
Unrealized gains (losses) on securities available-for-sale	(104)	(159)	(149)	(65)	(47)	68	(154)	93
Allowance for loan losses	(564)	(598)	(567)	(546)	(548)	(536)	(583)	(536)
Total assets	$ 67,247	$ 69,466	$ 67,755	$ 66,982	$ 64,815	$ 65,454	$ 68,610	$ 64,934
Liabilities and shareholders' equity:								
Interest-bearing demand	$ 4,704	$ 4,793	$ 4,755	$ 4,653	$ 4,617	$ 4,691	$ 4,774	$ 4,678
Savings and money market savings	13,427	13,305	13,363	13,470	13,566	13,424	13,334	13,158
Savings certificates	8,919	9,243	8,966	8,774	8,696	8,746	9,104	8,796
Large denomination certificates	3,679	4,198	4,025	3,428	3,076	3,394	4,112	3,385
Interest-bearing deposits in foreign offices	3,174	4,124	3,764	2,782	2,041	2,088	3,944	2,078
Short-term borrowed funds	9,058	8,621	8,920	9,836	8,848	9,629	8,771	9,461
Long-term debt	8,457	8,851	8,081	8,327	8,571	7,998	8,466	7,814
Total interest-bearing liabilities	51,418	53,135	51,874	51,270	49,415	49,970	52,505	49,370
Demand deposits	8,347	8,373	8,319	8,326	8,368	8,261	8,346	8,162
Other liabilities	1,866	2,125	1,874	1,831	1,641	1,764	1,999	2,015
Shareholders' equity	5,616	5,833	5,688	5,555	5,391	5,459	5,760	5,387
Total liabilities and shareholders' equity	$ 67,247	$ 69,466	$ 67,755	$ 66,982	$ 64,815	$ 65,454	$ 68,610	$ 64,934
Total deposits	$ 42,250	$ 44,036	$ 43,192	$ 41,433	$ 40,364	$ 40,604	$ 43,614	$ 40,257

Related Balance Sheet Analysis

Strong loan growth continued through the second quarter of 2000 predominantly in the consumer, real estate and commercial categories. Adjusting for acquisitions and securitization transactions, loan growth was approximately 11 percent year over year in comparing the second quarter and the first six months. In comparison with the fourth quarter of 1999, average loan volume, excluding acquisitions, grew approximately $4 billion. Economic conditions in Wachovia's five state primary lending area, as well as nationally have been good, but show evidence of slowing in some sectors. For the remainder of the year, management expects loan growth to continue but at a somewhat slower rate than the first half of the year.

Period-End Loans by Category — **Table 11**

(thousands)	June 30 2000	March 31 2000	Dec. 31 1999	Sept. 30 1999	June 30 1999
Commercial	$17,823,579	$17,160,717	$17,042,740	$16,166,045	$16,852,028
Tax-exempt	668,953	673,634	690,053	757,601	796,523
Total commercial	18,492,532	17,834,351	17,732,793	16,923,646	17,648,551
Direct retail	1,270,661	1,160,287	1,063,619	1,053,909	1,082,526
Indirect retail	3,985,073	3,856,229	3,740,683	3,616,862	3,458,466
Credit card	4,690,595	4,860,455	4,736,485	4,475,973	4,944,519
Other revolving credit	761,049	715,317	667,149	620,342	588,880
Total retail	10,707,378	10,592,288	10,207,936	9,767,086	10,074,391
Construction	2,960,285	2,577,621	2,311,362	2,235,387	2,233,128
Commercial mortgages	8,423,985	8,164,304	7,754,206	7,550,770	7,289,241
Residential mortgages	8,558,292	7,994,283	7,756,983	7,498,541	7,385,728
Total real estate	19,942,562	18,736,208	17,822,551	17,284,698	16,908,097
Lease financing	2,701,108	2,696,605	2,597,271	2,453,749	2,346,467
Foreign	1,308,777	1,265,864	1,260,674	1,195,842	1,450,580
Total loans	$53,152,357	$51,125,316	$49,621,225	$47,625,021	$48,428,086

Average balances of securities for the second quarter of 2000 declined in comparison to both the second and fourth quarters of 1999. During 1999, Wachovia allowed portfolio attrition to fund a portion of the loan growth. During the first and second quarter of 2000, maturing securities were replaced to maintain the portfolio at a relatively constant level.

Securities — **Table 12**

June 30, 2000 (thousands)	
Securities available-for-sale at fair value:	
U.S. Government and agency	$2,803,489
Mortgage-backed	3,713,314
Other	655,198
Total available-for-sale	7,172,001
Securities held-to-maturity:	
U.S. Government and agency	468,695
Mortgage-backed	382,745
State and municipal	226,788
Other	23,233
Total held-to-maturity	1,101,461
Total securities	$8,273,462

The increase in other assets from the second and fourth quarters of 1999 was primarily the result of increased intangible assets resulting from acquisitions.

Exclusive of the effects of acquisitions and branch sales, average interest-bearing core deposits held steady compared with the second and fourth quarters of 1999. Bank of Canton and National Bank of Commerce added approximately $275 million and approximately $30 million, respectively to second quarter 2000 average balances. Branch sales that occurred in the third quarter of 1999 reduced average interest bearing core deposits by approximately $115 million. The mix of interest bearing core deposits shifted more to savings certificates in the second quarter 2000 compared with the same period a year ago.

Wachovia utilizes a wide variety of wholesale funding sources including large denomination certificates of deposit, foreign deposits, repurchase agreements, federal funds, Federal Home Loan Bank advances, bank notes and senior and subordinated debt to fund the balance sheet. The mix and characteristics of wholesale funding are determined based on interest rate risk management, liquidity needs and available pricing. Subordinated debt is used for capital management purposes since it qualifies for inclusion in Tier II capital for risk based capital purposes. Several large debt transactions affected comparability of both period-end and average balances between reported periods. During 1999, Wachovia issued $1 billion in senior and subordinated debt. On March 31, 2000, Wachovia issued $300 million in subordinated debt that replaced $300 million in subordinated debt that matured on December 15, 1999. Wachovia entered into several funding transactions after the end of the second quarter. On July 6, 2000, Wachovia issued $550 million in senior debt securities followed by $300 million in subordinated securities issued by Wachovia Bank on July 24, 2000. On August 1, 2000, Wachovia securitized $750 million in credit card receivables.

Liquidity Management

Wachovia manages liquidity at both the parent and subsidiary levels through active management of the balance sheet. Parent company liquidity comes from short-term investments that can be sold immediately, the ability to issue debt and equity securities, and from dividends and interest income from subsidiaries. At June 30, 2000, Wachovia Corporation had $1.016 billion in interest-bearing balances with Wachovia Bank, N.A. ("Wachovia Bank"), and $1.6 billion available for issuance as senior or subordinate debt securities under existing shelf registrations filed with the Securities and Exchange Commission. At July 1, 2000, $703 million was available from Wachovia Bank to pay dividends to Wachovia Corporation without prior regulatory approval. As a back-up liquidity facility for commercial paper, Wachovia has $490 million in lines of credit from unaffiliated banks. No borrowings have occurred under these lines.

Wachovia Corporation's senior notes are rated Aa3 by Moody's and AA- by Standard & Poor's, and its subordinated notes are rated A1 by Moody's and A+ by Standard & Poor's. The subordinated debt securities qualify for inclusion in Tier II capital under risk-based capital guidelines. Capital securities, also classified as part of other long-term debt, totaled $997 million at June 30, 2000. The capital securities are rated aa3 by Moody's and A by Standard & Poor's and qualify as Tier I capital under risk-based capital guidelines.

Through its global bank note program, Wachovia Bank is authorized to issue up to $21.557 billion of bank notes. The global bank note program consists of issuances with original maturities beginning at seven days. Bank notes with original maturities of one year or less are included in other short-term borrowed funds, and bank notes with original maturities greater than one year are considered medium-term in nature and are classified as long-term debt. Under the existing offering circular, Wachovia Bank can have outstanding up to $10 billion of notes at any one time with original maturities from 7 to 270 days. Wachovia Bank may issue up to an aggregate of $8 billion of notes with maturities of more than 270 days. At June 30, 2000, Wachovia Bank had approximately $6.7 billion of the notes with maturities of more than 270 days available under the existing authorization. Short-term bank notes outstanding as of June 30, 2000 were $70 million, with an average cost of 6.20 percent and an average maturity of less than 1 month. Medium-term bank notes were $2.154 billion on the same date, with an average cost of 6.27 percent and an average maturity of 4.7 years. Short-term issues under the global bank note program are rated P-1 by Moody's and A-1+ by Standard & Poor's, while medium-term issues are rated Aa2 by Moody's and AA by Standard & Poor's.

Allowance for Loan Losses — Table 13

(thousands)

	2000 Second Quarter	2000 First Quarter	1999 Fourth Quarter	1999 Third Quarter	1999 Second Quarter	Six Months Ended June 30 2000	Six Months Ended June 30 1999
Summary of Transactions							
Balance at beginning of period	$595,655	$554,810	$553,894	$548,540	$548,302	$554,810	$547,992
Additions from acquisitions	3,289	40,504	—	—	39	43,793	39
Provision for loan losses	273,365	73,666	66,174	76,770	74,525	347,031	155,161
Deduct net loan losses:							
Loans charged off:							
Commercial	14,991	11,280	17,805	15,509	7,592	26,271	13,454
Credit card	62,469	62,883	49,478	54,925	69,619	125,352	143,713
Other revolving credit	2,219	2,379	1,332	2,305	3,126	4,598	6,015
Other retail	8,124	9,875	8,905	8,561	7,888	17,999	16,798
Real estate	1,612	1,220	2,632	4,005	1,397	2,832	2,885
Lease financing	404	568	908	855	585	972	1,177
Foreign	—	—	—	—	—	—	—
Total	89,819	88,205	81,060	86,160	90,207	178,024	184,042
Recoveries:							
Commercial	583	621	2,400	1,018	1,667	1,204	3,623
Credit card	12,096	10,129	8,152	8,967	8,618	22,225	15,663
Other revolving credit	641	647	610	774	828	1,288	1,535
Other retail	3,018	2,566	2,886	2,674	2,718	5,584	5,531
Real estate	402	786	1,627	1,124	1,836	1,188	2,685
Lease financing	121	131	127	187	214	252	353
Foreign	—	—	—	—	—	—	—
Total	16,861	14,880	15,802	14,744	15,881	31,741	29,390
Net loan losses	72,958	73,325	65,258	71,416	74,326	146,283	154,652
Balance at end of period	$799,351	$595,655	$554,810	$553,894	$548,540	$799,351	$548,540
Net Loan Losses (Recoveries) by Category							
Commercial	$ 14,408	$ 10,659	$ 15,405	$ 14,491	$ 5,925	$ 25,067	$ 9,831
Credit card	50,373	52,754	41,326	45,958	61,001	103,127	128,050
Other revolving credit	1,578	1,732	722	1,531	2,298	3,310	4,480
Other retail	5,106	7,309	6,019	5,887	5,170	12,415	11,267
Real estate	1,210	434	1,005	2,881	(439)	1,644	200
Lease financing	283	437	781	668	371	720	824
Foreign	—	—	—	—	—	—	—
Total	$ 72,958	$ 73,325	$ 65,258	$ 71,416	$ 74,326	$146,283	$154,652
Net loan losses — excluding credit cards	$ 22,585	$ 20,571	$ 23,932	$ 25,458	$ 13,325	$ 43,156	$ 26,602
Annualized Net Loan Losses (Recoveries) to Average Loans by Category							
Commercial	.32%	.24%	.35%	.36%	.14%	.28%	.12%
Credit card	4.25	4.32	3.67	3.76	4.95	4.29	4.75
Other revolving credit	.85	1.00	.45	1.02	1.61	.92	1.60
Other retail	.40	.60	.51	.51	.47	.49	.51
Real estate	.03	.01	.02	.07	(.01)	.02	—
Lease financing	.04	.07	.13	.11	.07	.05	.08
Foreign	—	—	—	—	—	—	—
Total loans	.56	.58	.54	.61	.63	.57	.66
Total loans — excluding credit cards	.19	.18	.22	.24	.13	.19	.13
Period-end allowance to outstanding loans	1.50	1.17	1.12	1.16	1.13	1.50	1.13

Allowance for Loan Losses

Wachovia's allowance for loan losses is maintained at a level adequate to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. At June 30, 2000, the allowance for loan losses was $799 million or 1.50 percent of outstanding loans compared with $555 million or 1.12 percent and $549 million or 1.13 percent at December 31, 1999 and June 30, 1999, respectively. The allowance for loan losses varied over the periods presented as a result of changes in the portfolio's risk profile reflecting changes in portfolio mix. The increase in the allowance at June 30, 2000 was due to a rise in the level of nonperforming loans and management's view that rising interest rates and the slowing economy had affected corporate borrowers' ability to service debt.

The provision for loan losses charged to earnings was an amount sufficient to position the allowance for loan losses at the appropriate level as described above. For the second quarter and the first six months of 2000, the provision for loan losses was $273 million and $347 million, respectively, compared with $75 million and $155 million for the same periods of 1999. The increase in the provision reflected deterioration in some commercial credits as evidenced in the increase in nonperforming loans. External indicators in the market, such as rising default rates, the significant increase in credit rating downgrades versus upgrades and widening credit spreads also suggest that deterioration in the credit cycle is developing. Prompted by higher interest rates and signs of a slowing economy, management reviewed the loan portfolio in considerable detail to determine the full impact on the financial performance of customers, particularly in the commercial portfolio. Management's findings led to the conclusion that the historical loss rates used in determining the adequacy of the allowance for loan loss did not reflect the risk in the portfolio and therefore did not accurately measure losses inherent in the portfolio. Management's views were further supported by downward migration in credit quality ratings and a resulting increase in the number of loans appearing on Wachovia's internal watch list.

Management is closely monitoring the loan portfolio while paying particular attention to changing business and economic conditions. Appropriate actions will be taken if and when the circumstances dictate. Provision expense levels for the remainder of the year will be affected by changing conditions in the market and the resulting impact on Wachovia's customers. Given the current outlook, provision expense is expected to return to levels modestly higher than that reported for the last few quarters.

Despite the challenging business environment and the rise in nonperforming assets, overall asset quality remained strong and within an acceptable level at June 30, 2000. The net increase of $75 million in nonperforming assets from December 31, 1999 primarily was attributable to two commercial credits of $45 million and $50 million that were downgraded during the first and second quarters, respectively. At June 30, 2000, Wachovia's nonperforming assets represented .56 percent of total loans and foreclosed property compared with .45 percent and .48 percent at December 31, 1999 and June 30, 1999, respectively. There were no significant concentrations of loans in any one industry at June 30, 2000.

Nonperforming Assets and Contractually Past Due Loans **Table 14**

(thousands)	Jun 30 2000	Mar 31 2000	Dec 31 1999	Sept 30 1999	Jun 30 1999
Nonperforming assets:					
Cash-basis assets	$283,577	$226,176	$204,098	$214,594	$209,550
Restructured loans	—	—	—	—	—
Total nonperforming loans	283,577	226,176	204,098	214,594	209,550
Foreclosed property:					
Foreclosed real estate	12,946	17,665	19,759	24,540	28,354
Less valuation allowance	2,867	4,077	5,941	7,456	8,162
Other foreclosed assets	5,060	6,343	5,874	6,602	5,045
Total foreclosed property	15,139	19,931	19,692	23,686	25,237
Total nonperforming assets	$298,716	$246,107	$223,790	$238,280	$234,787
Nonperforming loans to period-end loans	.53%	.44%	.41%	.45%	.43%
Nonperforming assets to period-end loans and foreclosed property	.56	.48	.45	.50	.48
Period-end allowance for loan losses times nonperforming loans	2.82x	2.63x	2.72x	2.58x	2.62x
Period-end allowance for loan losses times nonperforming assets	2.68	2.42	2.48	2.32	2.34
Contractually past due loans — accruing loans past due 90 days or more	$127,218	$126,318	$ 97,642	$106,755	$ 99,486

Noninterest Income **Table 15**

(thousands)	2000		1999			Six Months Ended June 30	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	2000	1999
Service charges on deposit accounts	$104,380	$100,811	$ 96,642	$ 94,595	$ 91,454	$205,191	$178,409
Fees for trust services	54,189	51,234	52,283	60,066	54,907	105,423	104,043
Credit card income — net of interchange payments	71,463	71,182	65,046	70,786	58,110	142,645	119,411
Investment fees	81,439	96,770	78,747	69,364	69,877	178,209	87,239
Capital markets income	45,014	44,786	48,965	41,914	41,780	89,800	79,892
Electronic banking	26,153	23,396	24,303	23,310	22,558	49,549	41,013
Mortgage fees	5,921	5,001	5,006	7,378	9,863	10,922	20,829
Bankers' acceptance and letter of credit fees	13,671	11,597	12,444	11,688	11,563	25,268	21,905
Other service charges and fees	30,361	29,181	26,720	19,494	18,153	59,542	33,679
Other income	37,708	36,841	29,313	34,246	26,279	74,549	51,393
Total other operating revenue	470,299	470,799	439,469	432,841	404,544	941,098	737,813
Securities gains	59	167	60	147	10,453	226	10,687
Total	$470,358	$470,966	$439,529	$432,988	$414,997	$941,324	$748,500

Noninterest Income

Operating revenue, which excludes securities transactions, grew $66 million or 16.3 percent for the second quarter from a year earlier and was higher by $203 million or 27.6 percent for the first six months. The largest portion of the growth was attributable to the strategic acquisitions of IJL, OFFITBANK and BEJS and their respective impact on investment fee income and capital markets income. The two 1999 credit card securitizations and the acquired Partners First portfolio also contributed substantially. Adjusting for the effects of acquisitions and securitization transactions, operating revenue grew approximately 7 percent for the quarter and approximately 10 percent year to date. For the remainder of the year, fee income growth is expected to remain somewhat lower than Wachovia has experienced in recent quarters. Market sensitive sources such as capital markets income and investment fee income will be the key to whether the growth rate in overall fee income returns to the pace experienced last year. The outlook for the remaining fee income categories remains good.

Service charges on deposit accounts for the second quarter and year to date grew $13 million or 14.1 percent and $27 million or 15 percent, respectively from the same periods in 1999. The increase in both periods was evidenced in all categories — returned check charges for overdraft and insufficient funds, commercial analysis fees and retail service charges.

Credit card income for the second quarter and year to date increased $13 million or 23 percent and $23 million or 19.5 percent, respectively from the same periods in 1999 driven by the two 1999 securitizations and the Partners First acquired portfolio. Exclusive of these transactions, credit card income was flat for the quarter and increased approximately 8 percent year to date. The year to date increase reflected increased pricing on overlimit charges and other fees that went into effect in late first quarter 1999.

Investment fees were up for both the quarter and year to date by $12 million or 16.5 percent and $91 million or 104.3 percent, respectively from the same periods a year ago largely as a result of the expanded customer base from acquisitions. The acquisitions of OFFITBANK, which was completed late in the third quarter of 1999, and Interstate/Johnson Lane, which was completed on April 1, 1999, affected comparability between periods and accounted for most of the increase. Excluding those acquisitions, investment fees increased approximately 3 percent for the quarter and 12 percent for the first six months from the same periods a year ago. This income is also market sensitive and during the second quarter, trading activity dropped after achieving record levels in the first quarter and, as a result, equity commissions declined. Market conditions also unfavorably impacted capital markets income leaving it level compared with the first quarter of 2000 but up 7.7 percent from the 1999 second quarter. Year-to-date capital markets income was up 12.4 percent from 1999 or approximately 9 percent excluding the IJL acquisition.

Electronic banking fees, although less significant in terms of dollars, experienced strong growth in comparison to prior year. For the second quarter and first six months, electronic banking fees increased $4 million or 15.9 percent and $9 million or

20.8 percent, respectively with acquisitions having minimal impact. Debit card interchange fees accounted for substantially all of the increase reflecting a continued trend of growing consumer acceptance.

Other service charges and fees increased by $12 million or 67.3 percent and $26 million or 76.8 percent, respectively, for the second quarter and first six months compared with the same periods in 1999. Most of the increase was in fees for servicing the securitized portion of the Partners First credit card portfolio. Excluding the effects of Partners First and other acquisitions and the 1999 securitization transactions, this revenue category remained relatively level over the comparable periods.

Noninterest Expense **Table 16**

(thousands)	2000		1999			Six Months Ended June 30	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	2000	1999
Salaries	$282,610	$287,629	$276,048	$266,488	$259,733	$ 570,239	$ 477,848
Employee benefits	52,881	56,252	48,240	50,572	48,019	109,133	101,090
Total personnel expense	335,491	343,881	324,288	317,060	307,752	679,372	578,938
Net occupancy expense	40,684	39,526	38,486	38,955	38,908	80,210	73,841
Equipment expense	45,908	49,195	52,425	49,081	49,714	95,103	96,556
Postage and delivery	13,661	13,817	13,912	13,700	13,670	27,478	27,798
Outside data processing, programming and software	25,918	26,874	27,370	26,385	25,561	52,792	49,018
Stationery and supplies	10,037	9,072	9,270	9,262	8,598	19,109	17,407
Advertising and sales promotion	16,938	16,649	21,090	16,086	17,173	33,587	29,292
Professional services	18,639	13,532	23,008	18,619	19,351	32,171	33,375
Travel and business promotion	11,202	9,572	10,106	9,138	8,749	20,774	14,700
Telecommunications	15,471	14,726	14,801	13,915	15,978	30,197	29,372
Amortization of intangible assets	23,906	20,797	14,540	13,156	12,230	44,703	23,183
Foreclosed property expense — net of income	(220)	(2,722)	(602)	(470)	301	(2,942)	219
Merger-related charges*	8,872	8,158	5,669	5,293	8,347	17,030	8,347
Litigation settlement charge*	—	20,000	—	—	—	20,000	—
Other expense	64,784	54,901	46,255	47,012	54,285	119,685	90,769
Total	$631,291	$637,978	$600,618	$577,192	$580,617	$1,269,269	$1,072,815
Overhead Ratio	56.4%	58.0%	55.7%	54.5%	56.3%	57.2%	54.1%
Overhead ratio without nonrecurring charges	55.6%	55.5%	55.2%	54.0%	55.5%	55.5%	53.7%

* Nonrecurring charges

Noninterest Expense

Noninterest expense rose $51 million or 8.7 percent for the quarter and $196 million or 18.3 percent for the first six months compared to the same periods in 1999. These increases primarily resulted from the added expense base from acquisitions. Acquisitions, merger-related expenses, and a litigation charge impacted comparisons between 2000 and 1999 in the first quarter of 2000. The litigation settlement charge resulted from an agreement reached with the U. S. Department of Labor to settle litigation stemming from a lawsuit begun against South Carolina National Bank (a predecessor of Wachovia Bank) in May 1991. The litigation stemmed from the purchase of Charter Medical Corporation's then privately held stock by its Employee Stock Ownership Plan to fund retirement benefits. South Carolina National Bank served as the trustee to the ESOP. Excluding these transactions, expense control initiatives were effective in holding the increase in noninterest expense to approximately 2 percent for the quarter and approximately 3 percent year to date. Expenses are expected to rise in the upper single digits for the remainder of the year. Adjusting for acquisitions, expense increases should be contained to lower single digits compared with 1999.

Total personnel expense increased $28 million or 9 percent for the quarter and $100 million or 17.3 percent from the comparable periods in 1999. Exclusive of acquisitions, total personnel expense increased approximately 5 percent from a year ago both for the quarter and year to date. The 5 percent increase resulted from strategic hiring and variable incentive pay.

Amortization of intangible assets rose from prior year levels as a result of goodwill and purchased credit card premiums added by acquisitions. The acquisition of the Partners First portfolio had the most significant impact on intangible amortization due to the shorter period over which it is being amortized.

Other expense increased $10 million or 19.3 percent for the quarter and $29 million or 31.9 percent for the first six months compared with 1999. Acquisitions accounted for most of the increase with the largest component being external processing fees paid to service the acquired Partners First credit card portfolio. Charitable donations were also up during the first half of 2000. Aside from the impact of acquisitions, overall expenses in the remaining categories were generally level with a year ago.

Income Taxes **Table 17**

(thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Income before income taxes	$205,084	$376,857	$583,902	$745,602
Federal income taxes at statutory rate	$ 71,779	$131,900	$204,366	$260,961
State and local income taxes — net of federal benefit	1,909	7,570	10,604	15,622
Effect of tax-exempt securities interest and other income	(11,454)	(10,884)	(22,723)	(22,078)
Other items	5,279	721	9,377	311
Total tax expense	$ 67,513	$129,307	$201,624	$254,816
Current:				
Federal	$ 39,301	$ 21,127	$ 94,516	$ 42,650
Foreign	364	195	700	497
State and local	8,366	6,458	18,715	13,072
Total	48,031	27,780	113,931	56,219
Deferred:				
Federal	24,910	96,339	90,094	187,636
State and local	(5,428)	5,188	(2,401)	10,961
Total	19,482	101,527	87,693	198,597
Total tax expense	$ 67,513	$129,307	$201,624	$254,816

Income Taxes

Applicable income taxes for the second quarter and first six months of 2000 decreased $62 million or 47.8 percent and $53 million or 20.9 percent, respectively from the prior year. Wachovia's effective tax rate also declined as tax-exempt income accounted for a proportionately larger share of pretax income after the increased provision for loan losses recorded in the second quarter.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FASB 133). FASB 133 establishes new accounting and reporting requirements for derivative instruments embedded in other contracts and hedging activities. The standard requires all derivatives to be measured at fair value and recognized as either assets or liabilities in the statement of condition. Under certain conditions, a derivative may be specifically designated as a hedge. Accounting for the changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Adoption of the standard is required for Wachovia's December 31, 2001 financial statements with early adoption allowed as of the beginning of any quarter after June 30, 1998. Management is in the process of assessing the impact and plans to adopt the standard effective January 1, 2001. Adoption is not expected to result in a material financial impact.

Shareholders' Equity and Capital Ratios

Shareholders' equity at June 30, 2000 was $5.936 billion, up $509 million or 9.4 percent from $5.427 billion one year earlier and up $278 million or 4.9 percent from December 31, 1999. Included in shareholders' equity at the end of the first quarter of 2000 was $80 million, net of tax, of unrealized losses on securities available-for-sale compared with unrealized losses of $11 million, net of tax, one year earlier. The increase in unrealized losses reflects the impact of rising interest rates on Wachovia's primarily fixed rate securities portfolio.

Wachovia repurchased a total of 1,674,300 shares of its common stock as authorized by the Board of Directors during the first six months of 2000 at an average price of $60 per share for a total cost of $101 million. Included in the total were

573,594 shares repurchased to offset shares issued for the acquisition of B C Bankshares, Inc. and 633,176 shares repurchased to offset shares issued for the acquisition of Commerce National Corporation. Wachovia can repurchase up to 8 million shares of its common stock under a January 28, 2000 authorization effective through January 25, 2002. As of June 30, 2000, a total of 467,530 shares had been repurchased under the January 28, 2000 authorization. Management will continue to work within the guidelines of its share repurchase authorization while assessing the best deployment of Wachovia's capital.

At its July 28, 2000 meeting, the Board of Directors declared a third quarter dividend of $.60 per share, payable September 1 to shareholders of record as of August 10. The dividend is higher by 11 percent from $.54 per share paid in the same quarter of 1999.

Intangible assets at June 30, 2000 totaled $1.263 billion, consisting of $935 million of goodwill, $73 million of deposit base intangibles, $250 million of purchased credit card premiums and $5 million of other intangibles. The acquisitions of B C Bankshares, Inc., the Partners First Holdings LLC portfolio, and Commerce National Corporation added approximately $97 million, $230 million and $33 million, respectively, in intangibles based on preliminary information. Intangible assets at the end of the second quarter of 1999 were $790 million, with $656 million of goodwill, $87 million of deposit base intangibles, $37 million of purchased credit card premiums, $10 million of other intangibles.

Regulatory agencies divide capital into Tier I (consisting of shareholders' equity and certain cumulative preferred stock instruments less ineligible intangible assets) and Tier II (consisting of the allowable portion of the reserve for loan losses and certain long-term debt) and measure capital adequacy by applying both capital levels to a banking company's risk-adjusted assets and off-balance sheet items. Regulatory requirements presently specify that Tier I capital should exclude the unrealized gain or loss, net of tax, on securities available-for-sale. In addition to these capital ratios, regulatory agencies have established a Tier I leverage ratio which measures Tier I capital to average assets less ineligible intangible assets.

Capital Components and Ratios **Table 18**

(thousands)	2000		1999		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Tier I capital:					
Common shareholders' equity	$ 5,936,044	$ 5,846,430	$ 5,658,457	$ 5,628,083	$ 5,426,717
Trust capital securities	996,932	996,838	996,744	996,650	996,556
Less ineligible intangible assets	1,057,314	1,040,021	931,257	944,304	772,696
Unrealized losses on securities available-for-sale — net of tax	77,233	87,939	72,002	27,600	9,618
Total Tier I capital	5,952,895	5,891,186	5,795,946	5,708,029	5,660,195
Tier II capital:					
Allowable allowance for loan losses	799,351	595,655	554,810	553,894	548,540
Allowable long-term debt	2,242,780	2,407,529	2,107,334	2,137,158	2,136,952
Tier II capital additions	3,042,131	3,003,184	2,662,144	2,691,052	2,685,492
Total capital	$ 8,995,026	$ 8,894,370	$ 8,458,090	$ 8,399,081	$ 8,345,687
Risk-adjusted assets	$80,796,945	$79,228,699	$77,060,603	$73,870,211	$74,897,805
Quarterly average assets *	$68,559,502	$66,863,406	$66,113,697	$63,916,969	$64,611,973
Risk-based capital ratios:					
Tier I capital	7.37%	7.44%	7.52%	7.73%	7.56%
Total capital	11.13	11.23	10.98	11.37	11.14
Tier I leverage ratio	8.68	8.81	8.77	8.93	8.76

* Excludes ineligible intangible assets and average unrealized gains (losses) on securities available-for-sale, net of tax.

Regulatory guidelines require a minimum of total capital to risk-adjusted assets ratio of 8 percent with at least one-half consisting of tangible common shareholders' equity and a minimum Tier I leverage ratio of 3 percent. Banks that meet or exceed a Tier I ratio of 6 percent, a total capital ratio of 10 percent and a Tier I leverage ratio of 5 percent are considered well capitalized by regulatory standards. It is Wachovia's policy that it and its banking subsidiaries be well capitalized at all times.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk and Asset/Liability Management

Market risk is the risk of loss due to adverse changes in instrument values or earnings fluctuation resulting from changes in market factors including changes in interest rates, foreign exchange rates, commodity prices and other market variables such as equity price risk. Wachovia primarily is exposed to interest rate risk with immaterial risk exposure to changes in foreign exchange rates and equity prices in the nontrading portfolios.

Trading Market Risk

Trading market risk is the risk to net income from changes in the fair value of assets and liabilities and off-balance sheet instruments that are marked-to-market through the income statement. The earnings risk due to changes in fair value in the trading portfolios is limited by the short-term holding periods of some of the portfolios, entering into offsetting trades with market counterparties, establishing and monitoring market risk limits by portfolio, and utilizing various hedging techniques.

Wachovia uses a value-at-risk (VaR) methodology to gauge potential losses in various trading portfolios due to changes in interest rates. The VaR estimate represents the maximum expected loss in fair value of a trading portfolio over a one day time horizon, given a 99 percent confidence level. In other words, there is about a 1 percent chance, given historical volatility of interest rates, that a loss greater than the VaR estimate will occur by the end of the next day.

At June 30, 2000, the combined VaR exposure was $368 thousand representing .04 percent of the combined trading portfolio value of $933 million. The combined average VaR exposure for the first quarter of 2000 was $412 thousand representing .07 percent of the combined average trading portfolio value of $631 million. These VaR numbers are for the combined U. S. Treasury and government agency, municipal bond, residential mortgage-backed securities and money market instrument trading portfolios.

Nontrading Market Risk

Nontrading market risk is the risk to net income from changes in interest rates on asset, liability and off-balance sheet portfolios other than trading. The risk is driven by potential mismatches resulting from timing differences in the repricing of assets, liabilities and off-balance sheet instruments, and potential exercise of explicit and embedded options. There also is net income risk from changes in market rate relationships known as basis risk.

Management believes that nontrading interest rate risk is best measured by simulation modeling which calculates expected net income based on projected interest-earning assets, interest-bearing liabilities, off-balance sheet financial instruments, other income and other expense. The model projections are based upon historical trends and management's expectations of balance sheet growth patterns, spreads to market rates, historical market rate relationships, prepayment behavior, current and expected product offerings, sales activity, and expected exercise of explicit and embedded options.

The policy guideline limit for net income simulation is a negative impact to net income of 7.5 percent for the up or down 200 basis point ramp scenarios when compared with the flat rate scenario. Management has generally maintained a risk position well within the policy guideline level. The model indicated the impact of a 200 basis point gradual rise in rates over the next 12 months would cause approximately a .64 percent increase in net income at June 30, 2000 versus a .96 percent decrease one year earlier. A gradual decrease in rates over the next 12 months would cause approximately a .68 percent decrease in net income as of June 30, 2000 compared with a .64 percent increase at June 30, 1999. Wachovia runs additional scenarios beyond the standard shock and ramp scenarios, including yield curve steepening, flattening and inversion scenarios. Various sensitivity analyses are performed on a regular basis to segregate interest rate risk into separate components and understand the risk attributable to prepayments, caps and floors, and other options. Extensive assumptions testing is performed to understand the degree of impact from changing key assumptions such as the speed of prepayments, the interest rate elasticity of core deposit rates and faster- or slower-growing balance sheets.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

Wachovia held its annual meeting of shareholders on April 28, 2000.

At the annual meeting, the shareholders elected Morris W. Offit as director for a two-year term and F. Duane Ackerman, John T. Casteen III, George W. Henderson, III, Robert A. Ingram, George R. Lewis and G. Joseph Prendergast as directors for three-year terms. The elections were approved by the votes set forth in the following table. James S. Balloun, Peter C. Browning, W. Hayne Hipp, Lloyd U. Noland, III and Sherwood H. Smith, Jr. continued as directors until the 2001 annual meeting, and Leslie M. Baker, Jr., Thomas K. Hearn, Jr., Elizabeth Valk Long and John C. Whitaker, Jr. continued as directors until the 2002 annual meeting.

Election of Directors	Shares Voted In Favor	Shares Withheld
Morris W. Offit	171,824,487	1,907,581
F. Duane Ackerman	171,836,143	1,895,924
John T. Casteen III	171,685,939	2,046,128
George W. Henderson, III	171,835,898	1,896,170
Robert A. Ingram	171,685,807	2,046,260
George R. Lewis	171,783,347	1,948,720
G. Joseph Prendergast	171,817,391	1,914,676

At the annual meeting, the shareholders ratified the appointment of Ernst & Young LLP as independent auditors for 2000. The proposal was approved by the following votes:

Shares voted in favor	172,420,896
Shares voted against	700,375
Abstentions	610,796
Broker nonvotes	—

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits — The exhibits listed on the accompanying Exhibit Index, immediately following the signature page are filed as part of or incorporated by reference into this report.

(b) Reports on Form 8-K.

A current report on Form 8-K dated April 19, 2000 was filed with the Securities and Exchange Commission announcing Wachovia Corporation's earnings for the quarter ended March 31, 2000.

A current report on Form 8-K dated June 15, 2000 was filed with the Securities and Exchange Commission concerning Wachovia Corporation's anticipated revenues and earnings for the second quarter of 2000 and for the remainder of the year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WACHOVIA CORPORATION

August 11, 2000

/s/ ROBERT S. MCCOY, JR.

By: Robert S. McCoy, Jr.
Vice Chairman
Chief Financial Officer

August 11, 2000

/s/ ALBERT J. DEFOREST, III

By: Albert J. DeForest, III
Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 of Report on Form 10-Q of Wachovia Corporation for the quarter ended June 30, 1998, File No. 1-9021).
3.2	Bylaws of the registrant as amended (incorporated by reference to Exhibit 3.2 of Form S-4 Registration Statement of Wachovia Corporation dated December 14, 1998, File No. 333-68823).
4	Instruments defining the rights of security holders, including indentures — Wachovia Corporation hereby agrees to furnish to the Commission, upon request, a copy of any instruments defining the rights of security holders that are not required to be filed.
4.1	Articles IV, VII, IX, X and XI of the registrant's Amended and Restated Articles of Incorporation (included in Exhibit 3.1 hereto).
4.2	Article 1, Section 1.8, and Article 6 of the registrant's Bylaws (included in Exhibit 3.2 hereto).
4.3	Indenture dated as of May 15, 1986 between South Carolina National Corporation and Morgan Guaranty Trust Company of New York, as Trustee, relating to $35,000,000 principal amount of 6½% Convertible Subordinated Debentures due in 2001 (incorporated by reference to Exhibit 28 of Form S-3 Registration Statement of South Carolina National Corporation, File No. 33-7710).
4.4	First Supplemental Indenture dated as of November 26, 1991 by and among South Carolina National Corporation, Wachovia Corporation and Morgan Guaranty Trust Company of New York, Trustee, amending the Indenture described in Exhibit 4.3 hereto (incorporated by reference to Exhibit 4.10 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1991, File No. 1-9021).
4.5	Indenture dated as of March 15, 1991 between South Carolina National Corporation and Bankers Trust Company, as Trustee, relating to certain unsecured subordinated securities (incorporated by reference to Exhibit 4(a) of Form S-3 Registration Statement of South Carolina National Corporation, File No. 33-39754).
4.6	First Supplemental Indenture dated as of January 24, 1992 by and among South Carolina National Corporation, Wachovia Corporation and Bankers Trust Company, as Trustee, amending the Indenture described in Exhibit 4.5 hereto (incorporated by reference to Exhibit 4.12 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1991, File No. 1-9021).
4.7	Indenture dated as of July 15, 1998 between Wachovia Corporation and The Chase Manhattan Bank, as Trustee, relating to subordinated debt securities (incorporated by reference to Exhibit 4(b) of Form S-3 Registration Statement of Wachovia Corporation, File No. 333-59165).
4.8	Indenture dated as of August 15, 1996 between Wachovia Corporation and The Chase Manhattan Bank, as Trustee, relating to senior debt securities (incorporated by reference to Exhibit 4(a) of Post-Effective Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation, File No. 33-6280).
4.9	Indenture between Wachovia Corporation, Wachovia Capital Trust II and First National Bank of Chicago, as Trustee, relating to Floating-Rate Junior Subordinated Deferrable Interest Debentures (Junior Subordinated Debentures) (incorporated by reference to Exhibit 4(c) of Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation and Wachovia Capital Trust II dated January 22, 1997, File No. 333-19365).
4.10	Amended and Restated Declaration of Trust of Wachovia Capital Trust II, relating to Preferred Securities (incorporated by reference to Exhibit 4(b)(iv) of Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation and Wachovia Capital Trust II dated January 22, 1997, File No. 333-19365).
4.11	Preferred Securities Guarantee Agreement of Wachovia Corporation (incorporated by reference to Exhibit 4(g) of Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation and Wachovia Capital Trust II dated January 22, 1997, File No. 333-19365).
4.12	Indenture between Central Fidelity Banks, Inc. and Chemical Bank, as Trustee, relating to $150,000,000 principal amount of subordinated debt securities (incorporated by reference to Exhibit 4.1 of Form 8-K of Central Fidelity Banks, Inc., dated November 18, 1992, File No. 0-8829).
4.13	Indenture between Central Fidelity Banks, Inc., Central Fidelity Capital Trust I and The Bank of New York, as Trustee, relating to $100,000,000 Floating-Rate Junior Subordinated Debentures (incorporated by reference to Exhibit 4.1 of Form S-3 Registration Statement of Central Fidelity Banks, Inc., dated April 23, 1997, File No. 333-28917).
4.14	Amended and Restated Declaration of Trust of Central Fidelity Capital Trust I (incorporated by reference to Exhibit 4.4 of Form S-3 Registration Statement of Central Fidelity Banks, Inc., dated April 23, 1997, File No. 333-28917).
4.15	Form of New Guarantee Agreement for the benefit of the holders of the Trust Securities (incorporated by reference to Exhibit 4.6 of Form S-3 Registration Statement of Central Fidelity Banks, Inc., dated as of April 23, 1997, File No. 333-28917).
10.1	Senior Management Incentive Plan of Wachovia Corporation as amended through January 1, 1999 (incorporated by reference to Exhibit 10.4 of Report on Form 10-Q of Wachovia Corporation for the quarter ended June 30, 1999, File No. 1-9021).

EXHIBIT INDEX (continued)

Exhibit Number	Description
10.2	Wachovia Corporation Amended and Restated Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 of Report on Form 10-Q for Wachovia Corporation for the quarter ended March 31, 2000, File No. 1-9021).
10.3	Employment Agreement between Wachovia Corporation and L. M. Baker, Jr. dated as of November 29, 1999 (incorporated by reference to Exhibit 10.3 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.4	Employment Agreement between Wachovia Corporation and Robert S. McCoy, Jr. dated as of October 22, 1999 (incorporated by reference to Exhibit 10.4 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.5	Employment Agreement between Wachovia Corporation and G. Joseph Prendergast dated as of October 22, 1999 (incorporated by reference to Exhibit 10.5 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.6	Employment Agreement between Wachovia Corporation and Mickey W. Dry dated as of October 22, 1999 (incorporated by reference to Exhibit 10.6 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.7	Employment Agreement between Wachovia Corporation and Walter E. Leonard, Jr. dated as of October 22, 1999 (incorporated by reference to Exhibit 10.7 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.8	Form of Employment Agreement between Wachovia Corporation and Executive Officers (other than Messrs. Baker, McCoy, Prendergast, Dry and Leonard) (incorporated by reference to Exhibit 10.8 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021.)
10.9	Employment Agreement between Wachovia Corporation and Morris W. Offit dated as of May 13, 1999 (incorporated by reference to Exhibit 10.1 of Form S-4 Registration Statement of Wachovia Corporation dated June 25, 1999, File No. 1-9021).
10.10	Senior Executive Retirement Agreement between Wachovia Corporation and L. M. Baker, Jr. dated as of November 29, 1999 (incorporated by reference to Exhibit 10.10 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.11	Senior Executive Retirement Agreement between Wachovia Corporation and Robert S. McCoy, Jr. dated as of October 22, 1999 (incorporated by reference to Exhibit 10.11 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.12	Senior Executive Retirement Agreement between Wachovia Corporation and G. Joseph Prendergast dated as of October 22, 1999 (incorporated by reference to Exhibit 10.12 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.13	Senior Executive Retirement Agreement between Wachovia Corporation and Mickey W. Dry dated as of October 22, 1999 (incorporated by reference to Exhibit 10.13 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.14	Senior Executive Retirement Agreement between Wachovia Corporation and Walter E. Leonard, Jr. dated as of October 22, 1999 (incorporated by reference to Exhibit 10.14 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.15	Form of Senior Executive Retirement Agreement between Wachovia Corporation and Executive Officers (other than Messrs. Baker, McCoy, Prendergast, Dry and Leonard) (incorporated by reference to Exhibit 10.15 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.16	Senior Management and Director Stock Plan of Wachovia Corporation (incorporated by reference to Exhibit 10 of Quarterly Report on Form 10-Q of First Wachovia Corporation for the quarter ended March 31, 1989, File No. 1-9021).
10.17	1990 Declaration of Amendment to Senior Management and Director Stock Plan as described in Exhibit 10.16 hereto (incorporated by reference to Exhibit 10.17 of Report on Form 10-K of First Wachovia Corporation for the year ended December 31, 1989, File No. 1-9021).
10.18	1996 Declaration of Amendment to Senior Management and Director Stock Plan as described in Exhibit 10.16 hereto (incorporated by reference to Exhibit 10.24 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1996, File No. 1-9021).
10.19	Deferred Compensation Plan dated as of January 19, 1987, as amended (incorporated by reference to Exhibit 10(c) of Report on Form 10-K of South Carolina National Corporation for the year ended December 31, 1986, File No. 0-7042).
10.20	Amendment to Deferred Compensation Plan described in Exhibit 10.19 hereto (incorporated by reference to Exhibit 19(b) of Quarterly Report on Form 10-Q of South Carolina National Corporation for the quarter ended September 30, 1987, File No. 0-7042).

EXHIBIT INDEX (continued)

Exhibit Number	Description
10.21	Amendment to Deferred Compensation Plan described in Exhibit 10.19 hereto (incorporated by reference to Exhibit 10(d) of Report on Form 10-K of South Carolina National Corporation for the year ended December 31, 1988, File No. 0-7042).
10.22	Amendment to Deferred Compensation Plan described in Exhibit 10.19 hereto (incorporated by reference to Exhibit 10.35 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1993, File No. 1-9021).
10.23	Amended and Restated Wachovia Corporation Stock Plan (incorporated by reference to Exhibit 4.1 of Form S-8 Registration Statement File No. 033-53325).
10.24	Wachovia Corporation Director Deferred Stock Unit Plan (incorporated by reference to Exhibit 10.37 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1996, File No. 1-9021).
10.25	Wachovia Corporation Executive Insurance Plan (incorporated by reference to Exhibit 10.36 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1995, File No. 1-9021).
10.26	Executive Long-Term Disability Income Plan (incorporated by reference to Exhibit 10.34 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1997, File No. 1-9021).
10.27	Deferred Compensation Plan of Wachovia Bank of North Carolina, N.A. (incorporated by reference to Exhibit 10.1 of Report on Form 10-K of Wachovia Corporation for the year ended December 31,1992, File No. 1-9021).
10.28	1983 Amendment to Deferred Compensation Plan described in Exhibit 10.27 hereto (incorporated by reference to Exhibit 10.2 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1992, File No. 1-9021).
10.29	1986 Amendment to Deferred Compensation Plan described in Exhibit 10.27 hereto (incorporated by reference to Exhibit 10.9 of Report on Form 10-K of First Wachovia Corporation for the year ended December 31, 1986, File No. 1-9021).
10.30	Agreement between Wachovia Corporation and John G. Medlin, Jr. (incorporated by reference to Exhibit 10.13 of Report on Form 10-Q of Wachovia Corporation for the quarter ended June 30, 1998, File No. 1-9021).
10.31	Executive Retirement Agreement between Wachovia Corporation and John G. Medlin, Jr. (incorporated by reference to Exhibit 10.18 of Report on Form 10-K of First Wachovia Corporation for the year ended December 31, 1987, File No. 1-9021).
10.32	Amendment to Executive Retirement Agreement described in Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.17 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1991, File No. 1-9021).
10.33	Amendment to Executive Retirement Agreement described in Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.3 of Quarterly Report on Form 10-Q of Wachovia Corporation for the quarter ended September 30, 1993, File No. 1-9021).
10.34	Amendment to Executive Retirement Agreement described in Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.4 of Quarterly Report on Form 10-Q of Wachovia Corporation for the quarter ended September 30, 1993, File No. 1-9021).
11	"Computation of Earnings Per Common Share" (included on page 9 herein).
12	Statement setting forth computation of ratio of earnings to fixed charges.
27	Financial Data Schedule (for SEC purposes only).

Wachovia Corporation
P.O. Box 3099
Winston-Salem, NC 27150

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